

Cost of missing an energy bill slashed

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Electricity and gas

From 1 July this year, households and small businesses will no longer face big penalties for missing an energy bill with the state's energy regulator putting a cap on what retailers can charge you for not making a payment on time.

The Essential Services Commission has set a cap of 3.62 per cent on new energy contracts entered into from 1 July 2020, slashing the potential cost of missing a payment in half.

Commission chairperson Kate Symons says limiting how much you'll pay for missing a deadline will help reduce bill shock for households and small business.

"In January, we estimated that the average cost for residential customers of missing your pay-on-time discount was around \$100 for electricity and gas*.

"The new cap could cut the average cost to around \$40 to \$50**," she said.

Ms Symons says while late payment fees were banned in Victoria in 2005, pay-on-time discounts grew out of proportion to the cost a retailer might incur from a customer missing a payment.

"In 2018–19, we estimated that if a residential customer did not meet pay on time discount conditions for a full year, it would cost an average \$400 for electricity and \$200 for gas.

"The cost for small businesses was even higher, around one thousand dollars depending on the business," she said.

In June 2018, the Australian Competition and Consumer Commission's [Retail Electricity Pricing Inquiry](#) report also highlighted the practice, saying those who were less able to pay, such as hardship customers, were also more likely to be affected.

As a response to pending reforms, the industry started offering fewer deals with conditional and lower discounts, but the average cost of available deals was unchanged.

Setting the pay-on-time cap is the latest step in a range of [energy contract reforms](#) arising from the Victorian Government's 2017 [independent review of electricity and gas retail markets](#).

The cap will take effect from 1 July 2020 for all new contracts.

* Source: Victorian Energy Market Report, Quarterly Update, March 2020

**Estimated by taking the average prices of discounted offers in January 2020 and applying the new 3.62 per cent cap.

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