

Essential Services Commission

Level 37, 2 Lonsdale Street
Melbourne Victoria 3000

Submission: Default VDO for Embedded Networks

Dear Commissioner,

I am writing to you as an apartment resident and embedded energy network customer in relation to the Victorian Default Offer (VDO). While I believe your proposed VDO will deliver positive outcomes for retail customers, I worry that a higher bar needs to be set for embedded electricity companies.

Embedded providers are in a unique position of power over their customers, as they are locked into these networks and have little to no recourse against uncompetitive rates or unfair practices. To provide some further context, you may refer to an earlier submission I made to the commission in August 2018. The submission made evident that under arrangements at the time:

- An embedded provider's usage charges were over 40% higher than AGL.
- Embedded providers were publicly promising to price match, however, in practice would often decline these requests due to trivialities (such as the competitor not offering paper bills).
- Customers faced onerous and expensive barriers to 'opt out' of an embedded network.
- Retailers were unable or unwilling to provide a service to embedded customers - even after they had successfully 'opted out' of the network.
- An embedded provider produced misleading price comparisons, by only including the standing offer rates of its competitors (despite only a small minority of customers being on these rates).

In light of this track record, I worry that embedded providers will charge their customers the maximum VDO (which is currently 20-30% more than the best retail offers) and refuse to also offer a fair market rate in line with the competitive retail market.

I ask the commission to consider adding further measures to prevent embedded network customers from being at a financial disadvantage. Some possible solutions that could be considered:

- Having a lower VDO for embedded providers.
- Requiring embedded providers to have a competitive market offer rate.
- Requiring embedded providers to match a competitor's price when requested.

I appreciate the Commission's consideration of this submission and hope a fair outcome can also be achieved for Victorians on embedded power networks.

Regards,

Hugh Mathews