

# Victorian Default Offer Draft Decision

Applying from 1 July 2025

31 March 2025

Public Forum



# Acknowledgement of Country



*Dill-ba-din Balluk Biik – Protect Community and Country*  
Artist: Simone Thomson

# Welcome



This session is being recorded



Microphones are muted



Time for questions after presentations



Video recording, presentation and responses to unanswered questions to be available on website post-forum

# Our approach today

We're keen to hear from you

We will engage on matters  
you'd like to explore further

Please make submissions via  
Engage Victoria  
Due Date: 11 April



# Today's agenda

Time	Item and speaker
11:00 am	Welcome & Introductions - Gerard Brody, Chairperson
11:10 am	Our draft decision – Saeideh Khosroshahi, Project Manager
11:20 am	Presentation from Consumer Action Law Centre – Stephanie Tonkin, Chief Executive Officer
11:35 am	Presentation from Australian Energy Council – Jo De Silva, General Manager Retail Policy
11:50 am	Questions and discussion – Jess Young, Commissioner
	Closing – Gerard Brody, Chairperson

# Supporting customers

- While the Victorian Default Offer is slightly higher under the draft decision, we recognise the continued impact of prices amid broader cost-of-living concerns.
- We:
  - Continue to uphold the rights and protections of energy consumers.
  - Encourage customers to compare energy offers via the Victoria Energy Compare website – majority of market offers are below Victorian Default Offer.
  - Encourage customers to contact their retailer about payment plans, available concessions, rebates, grants.

# Retailer obligations and compliance

- We continue our compliance focus on retailer obligations to support customers under the Energy Retail Code of Practice.
- Priorities for 2024-25 include:
  - Disconnections for non-payment
  - Payment difficulty framework
  - Protecting customers experiencing vulnerability
- Our expectation is that retailers work with customers to fulfill their obligations – including supporting uptake of concessions, helping with utility relief grant obligations, and making referrals to other assistance.

# Our draft decision



# Draft decision on 2025-26 Victorian Default Offer

- Average annual bill for domestic customer up \$12 (less than one per cent)
- Main reasons for increase are higher network costs, partially offset by lower wholesale and environmental costs
- Methodology applied largely consistent with last year's decision however some key changes have been made:
  - wholesale electricity costs, excluded solar exports from load profile
  - retail operating margin

## Change by cost component – average domestic customer

Cost component	Annual change (\$)	Annual change (%)
Wholesale	-\$21	-4%
Network	\$41	7%
Retail Operating Costs	\$6	3%
Environment	-\$13	-9%
Other costs	\$1	6%
Retail Operating Margin	-\$4	-5%
GST	\$2	1%
<b>Total</b>	<b>\$12</b>	<b>1%</b>

# Draft decision on 2025-26 Victorian Default Offer

On average, across all five distribution zones:

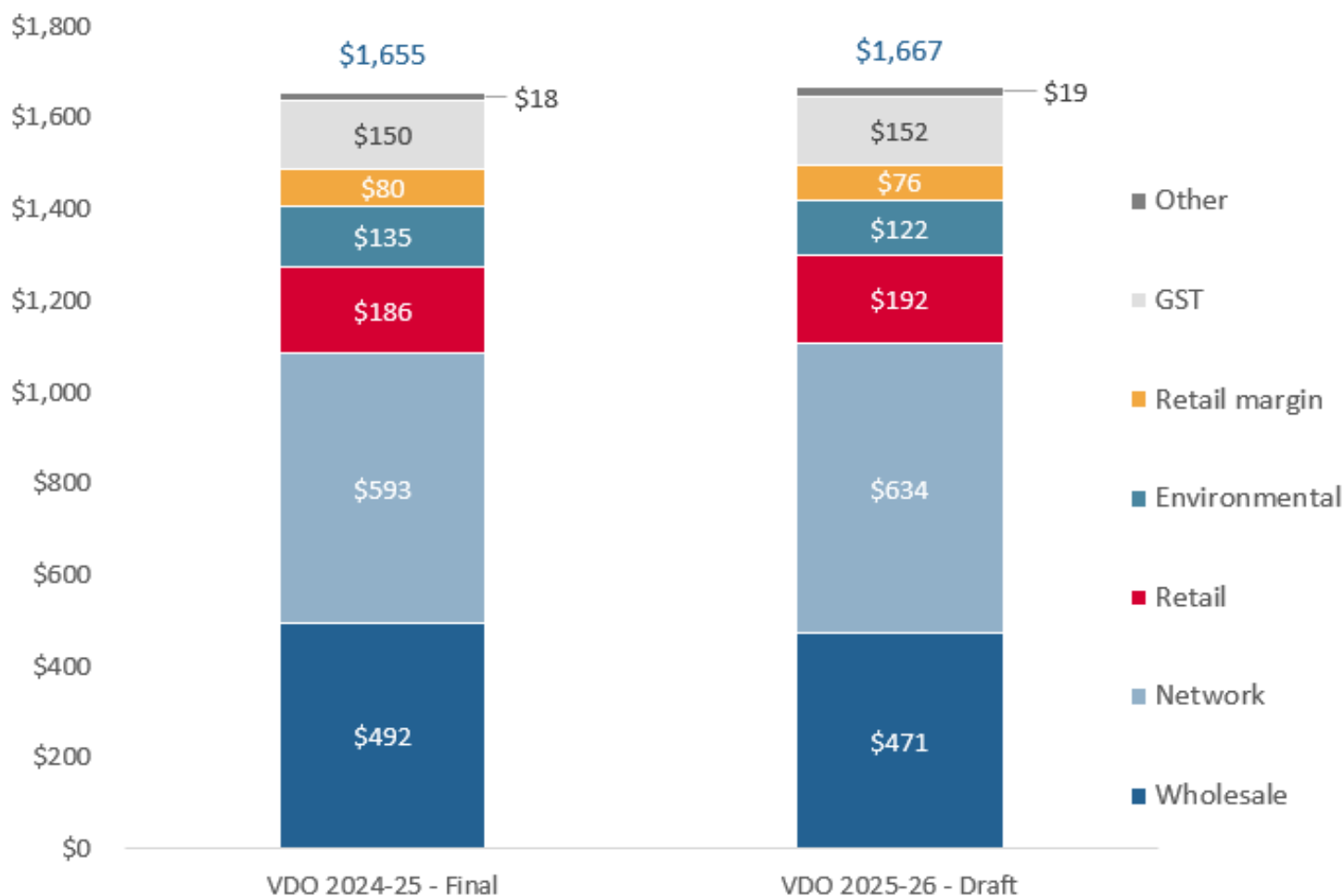
- Typical annual domestic bills would increase from \$1,655 to \$1,667, an increase of \$12 (less than 1%) with 4,000 kWh usage
- Typical annual small business bills would increase from \$3,530 to \$3,633, an increase of \$103 (less than 3%) with 10,000 kWh usage

# Draft decision on 2025-26 Victorian Default Offer

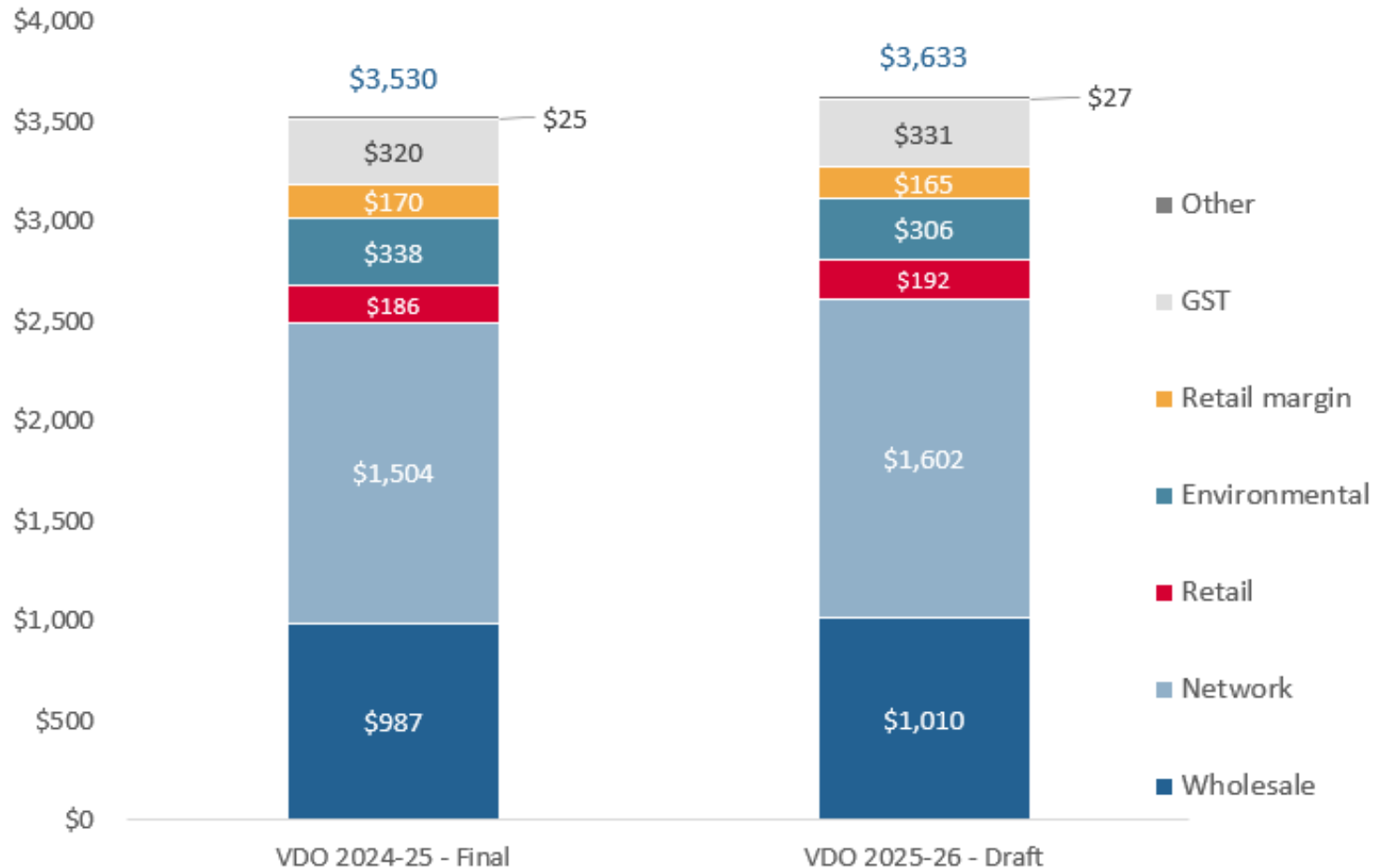
## Victorian Default Offer by distribution zone, average domestic customer

	AusNet	CitiPower	Jemena	Powercor	United Energy	Average
2024-25 Final	\$1,902	\$1,456	\$1,664	\$1,699	\$1,554	\$1,655
2025-26 Draft	\$1,883	\$1,524	\$1,680	\$1,680	\$1,569	\$1,667
Change \$	-\$19	\$68	\$16	-\$19	\$15	\$12
Change %	-1%	5%	1%	-1%	1%	1%

# Draft decision – domestic flat tariff with 4,000 kWh usage



# Draft decision – small business flat tariff with 10,000 kWh usage



# Overview of the cost stack

## **Network cost**

- We have used indicative network tariffs for 2025–26 that network businesses submitted to the Australian Energy Regulator in February
- Increase in networks cost is driven by updated cost of debt, cost pass throughs (both approved and proposed reopener costs), forecast transmission costs and incentive scheme costs.
- Final decision will use the tariffs approved by the Australian Energy Regulator

## **Retail operating cost**

- We continue to apply the same cost to domestic and small business customers for our draft decision
- Slight increases since 2024-25 due to updated cost data, reflecting increases in labor, IT, and billing costs

# Overview of the cost stack

## Wholesale electricity costs

- We have largely maintained our approach, but made some key changes to the data we use
- We decided to use a load profile reflecting customers' load only, when estimating wholesale costs
- We have considered submissions and taken our economic consultant, Frontier Economics', advice. This approach aligns with the Australian Energy Regulator's approach to setting wholesale costs in the Default Market Offer
- The change in load profile has led to a reduction in wholesale costs mostly for domestic VDO customers in regional Victoria who have higher solar uptake
- We are consulting, in our draft decision, on how to account for the wholesale cost of solar exports in future VDOs
- For final decision, we will update 12-month reading period to mid April (from 16 January used in draft)

# Overview of the cost stack

## **Environmental cost**

Overall, environmental costs have decreased slightly from 2024-25.

- Commonwealth schemes – Large Scale Renewable Energy Target down and Small-Scale Renewable Energy Scheme down (reflecting changes in liability percentages)
- Feed-in-Tariff social cost of carbon up reflecting increased installation and larger systems (contributing to higher solar export volumes)
- Victorian Energy Upgrades – VEEC prices continued to increase since 2024-25, which are reflected in a 12-month rolling average of \$102.
- We have continued our approach of using the most recent 12-months of trade weighted VEEC prices which is \$102, resulting in \$62 in a typical domestic annual bill.



# Overview of the cost stack

## **Modest costs for customer acquisition and retention**

- Pricing order requires us to include modest costs of customer acquisition and retention
- Our position is that an efficient price benchmark that is broadly available and used as comparator price, should include an amount for these costs
- Approach unchanged – benchmark updated for inflation

## **Retail operating margin**

- We have considered benchmark retail margin across other jurisdictions, expected return approach, and actual margin
- Changed to 5% in 2025-26 from 5.3% in 2024-25

# 2025-26 Victorian Default Offer Next Steps

## Approach

- ✓ Request for comment paper: 28 November 2024
- ✓ Submissions closed: 24 December 2024

## Draft decision

- ✓ Draft decision paper: 13 March 2025
- ✓ Public forum: 31 March 2025
- Submissions close: 11 April 2025

## Final decision

By 26 May 2025

## 2025-26 Victorian Default Offer

New prices in effect: 1 July 2025

March 2025

# Victorian Default Offer

## Draft Decision 2025-26

Steph Tonkin, CEO, Consumer Action Law Centre



# About Consumer Action Law Centre

## General reflections

- VDO continues to be important in ensuring a simple, trusted and reasonable electricity price for Victorians
- Victorians are experiencing entrenched financial difficulty and many struggle to afford essentials
- More is needed to reduce energy hardship in Victoria

# On our frontlines

In 2024, Victorians  
contacting the National  
Debt Helpline with an  
energy issue

## Income type



**42%**

receive  
Centrelink as  
sole income

## Gender



**58%** of  
energy contacts  
are women

## Fortnightly income



**\$1,176**

average  
fortnightly  
income

## Household



**48%**

live in private  
tenancy

# Systemic issues

Common issues  
observed in calls to the  
National Debt Helpline



## Unaffordable Payment Plans

Trends of unaffordable payment plans continue, of \$150 - \$200 per fortnight.



## Best offers

Most callers we have interviewed about payment assistance noted that they were never offered a better offer by their retailer



## Debt waivers for vulnerable consumers

Callers experiencing extreme hardship and vulnerability who asked their retailer to waive a debt were told no, or they must speak to a financial counsellor before the retailer would consider it





MARCH 2024

## At the front line of the cost-of-living crisis

Insights from a Telephone Financial Counselling Helpline

### Draft decision

- Retailer margin and environmental cost reduction
- Retail operating cost increase
- CARC remains – we think it is unfair and should go
- Network costs will remain high and likely increase in future.





## Where to from here?

- Consideration of a targeted Social Tariff, adopting VDO stack model
- Automatic Concessions and URGs: many people aren't switching or accessing affordability measures
- Consumer Duty: needed amidst failures to observe consumer protections





consumer  
action  
law centre

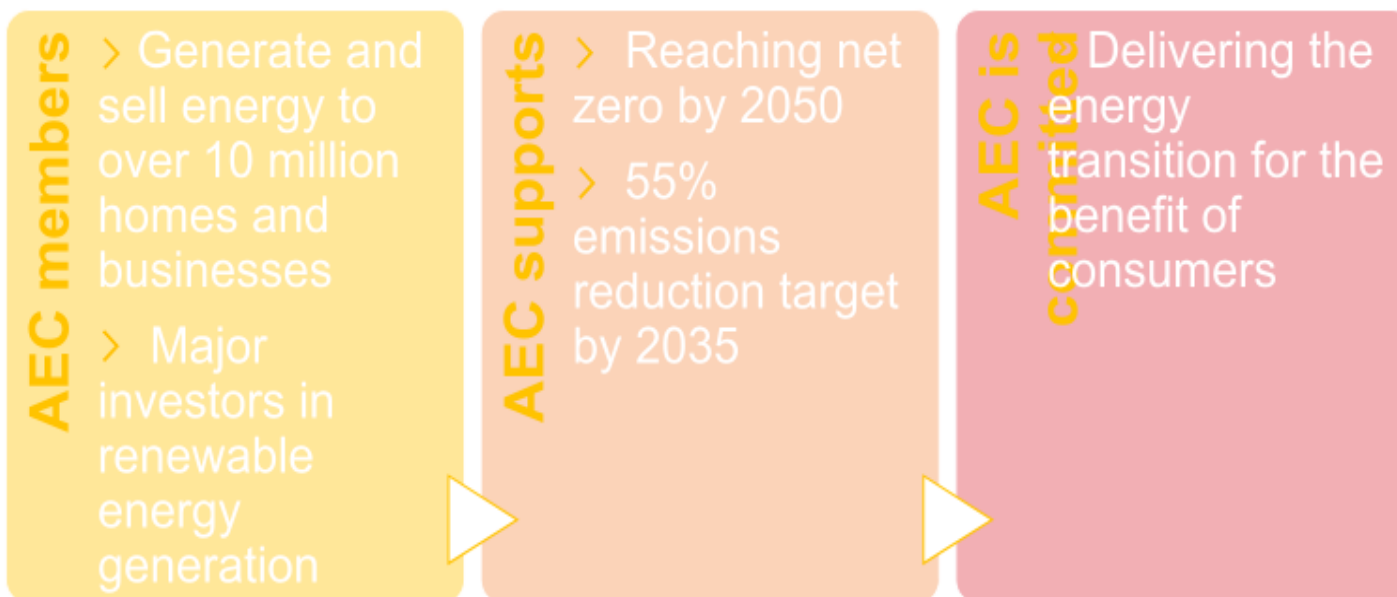
© Consumer Action Law Centre 2006-2025



# ESC VDO 2025-26 Draft Decision

Jo De Silva

March 2025



**Peak body for electricity & downstream natural gas businesses operating in the competitive wholesale & retail energy markets**

# Shop around



## Welcome to Victorian Energy Compare

An independent Victorian Government energy price comparison site  
To get the most out of this tool, you need a recent energy bill or smart meter data file.


[Frequently Asked Questions](#)

[In your language](#)

### Get started

What are you looking to compare?



 To compare both electricity and gas select an energy type on this screen and then add the other energy type when you get to the Available Offers screen.

Source: <https://compare.energy.vic.gov.au/>

# The Role of Retailer project

Part of a holistic strategy for a high CER future





## Some shared needs and values amongst all customers



**Simplicity**



**Reliability and certainty**



**Affordability**



**Comfort and convenience**



**Choice and agency**



**Customer protections and security**



**Fairness and equity**



**Environmental sustainability**



## Opportunities for rewards are increasing



**Dynamic network pricing**



**New value streams & auxiliary markets**



**Emerging CER technologies**



**EVs and V2G capabilities**



**Energy market policy reforms**



**Load flex and CER orchestration**



**Smart & digital management technologies**



**Set and forget devices**





## Cost components of an average electricity bill 2023-24



Source: <https://www.accc.gov.au/about-us/publications/serial-publications/inquiry-into-the-national-electricity-market-2018-25-reports/inquiry-into-the-national-electricity-market-report-december-2024>

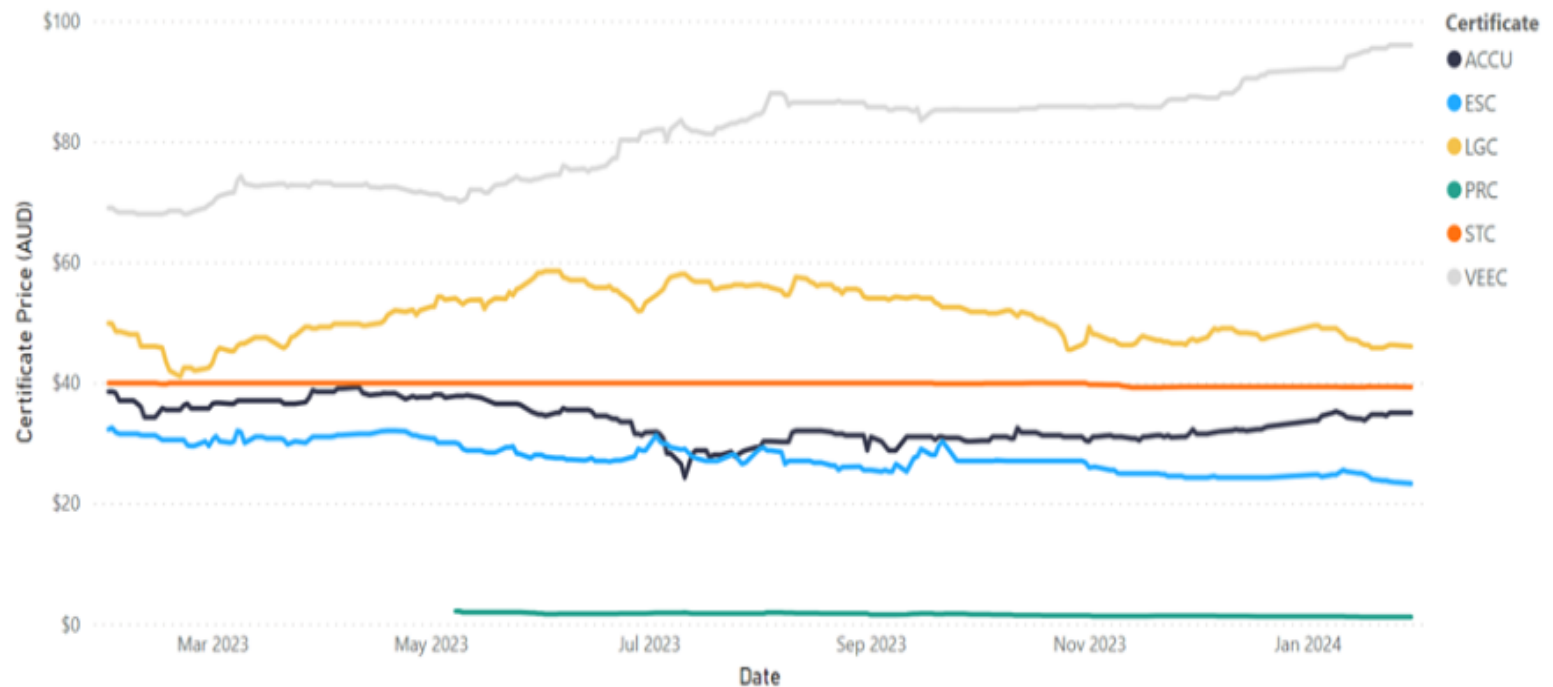
## Some key issues

- Solar exports
- Retail operating margin
- Victorian Energy Upgrades program



# Australian Wholesale Certificate Prices

Australian Wholesale Certificate Prices



Source: <https://northmoregordon.com/certificate-prices/>



📍 Level 13, 575 Bourke Street, Melbourne VIC 3000

☎ +61 (3) 9205 3100

✉ [info@energycouncil.com.au](mailto:info@energycouncil.com.au)

# Question and answer

Facilitator

Jess Young

Commissioner



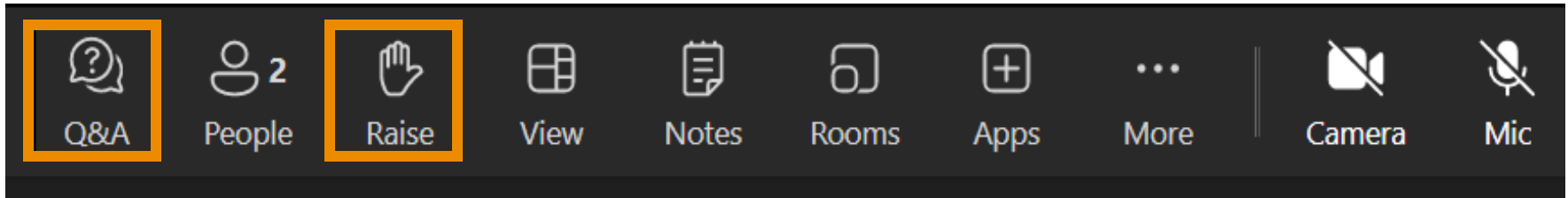
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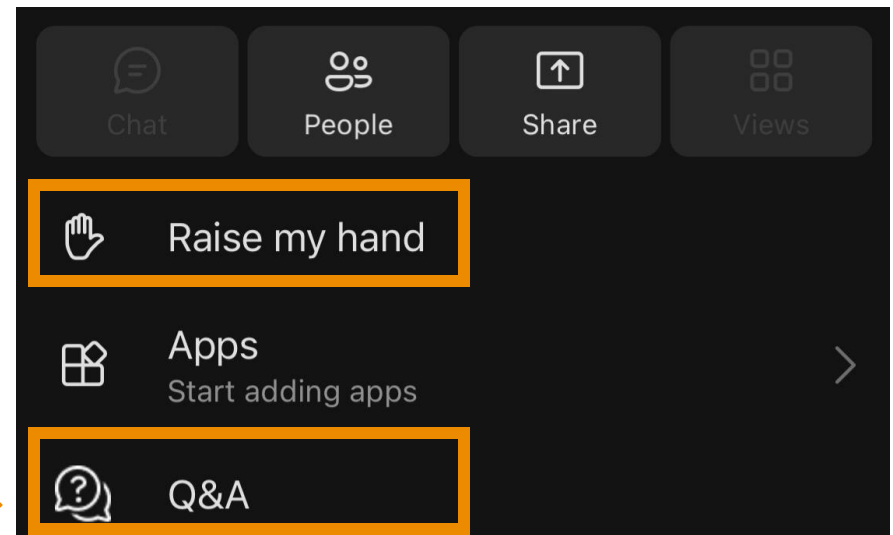
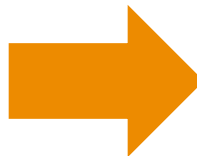
- Use the Q&A window to type a question
- Raise your hand to ask a question to camera
- Mute your microphone (when not speaking)
- Video recording and presentation to be available on website post-forum
- Send technical or business-specific questions to [VDO@esc.vic.gov.au](mailto:VDO@esc.vic.gov.au)
- Similar questions will be addressed once
- We may respond to some questions in the Q&A window

# How to submit a question

## Computer



## Mobile



# Resources

- Draft decision paper available on commission website: [Victorian Default Offer price review 2025-26 | Essential Services Commission](#)
- Make submissions or comments via Engage Victoria – <https://engage.vic.gov.au/victorian-default-offer-review-2025-26>.
- [Energy bill support for Victorians: What you need to know](#)
- [Engage Victoria: Victorian Default Offer review 2025-26](#)
- [Energy Concessions & Benefits - Department of Families, Fairness and Housing](#)
- ['It's your energy'](#)
- Contact: [VDO@esc.vic.gov.au](mailto:VDO@esc.vic.gov.au)



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# 2025-26 Victorian Default Offer: Draft decision public forum

**SESSION COMPLETE**

**THANK YOU FOR YOUR ATTENDANCE**

