

# 2023–24 Victorian Default Offer

Final Decision Factsheet

May 2023



## What is the Victorian Default Offer?

The Victorian Default Offer was established in 2019 to provide a simple, trusted and reasonably priced electricity option for consumers who don't want to or are unable to engage in the market to find a competitive retail market offer. It is set by an independent regulator, not energy companies.

All electricity retailers in Victoria must offer residential or small business customers the current Victorian Default Offer. Energy companies are also required to use the default offer as a reference price when they advertise retail market offers, to help Victorian consumers compare energy deals. The default offer is not necessarily the lowest price in the market.

## What is the final decision for the 2023–24 Victorian Default Offer?

The Essential Services Commission has finalised the [2023–24 Victorian Default offer](#), following industry and community consultation on its draft decision released in March, and further economic analysis using the latest data.

The 2023–24 Victorian Default Offer represents an annual increase of 25 per cent – that is \$352 for residential customers (assuming annual usage of 4,000 kWh usage), and \$752 for small business customers (assuming annual usage of 10,000 kWh<sup>1</sup>). Prices across the state will vary due to the different network tariffs in each of Victoria's five distribution zones. The new prices will apply to all Victorian Default Offer customers from 1 July 2023 to 30 June 2024.

This change to the default offer price is primarily the result of high wholesale energy market prices, driven by energy market volatility in 2022. This increased the prices energy retailers paid in their futures (forward) contracts to buy electricity from the wholesale market to supply consumers.

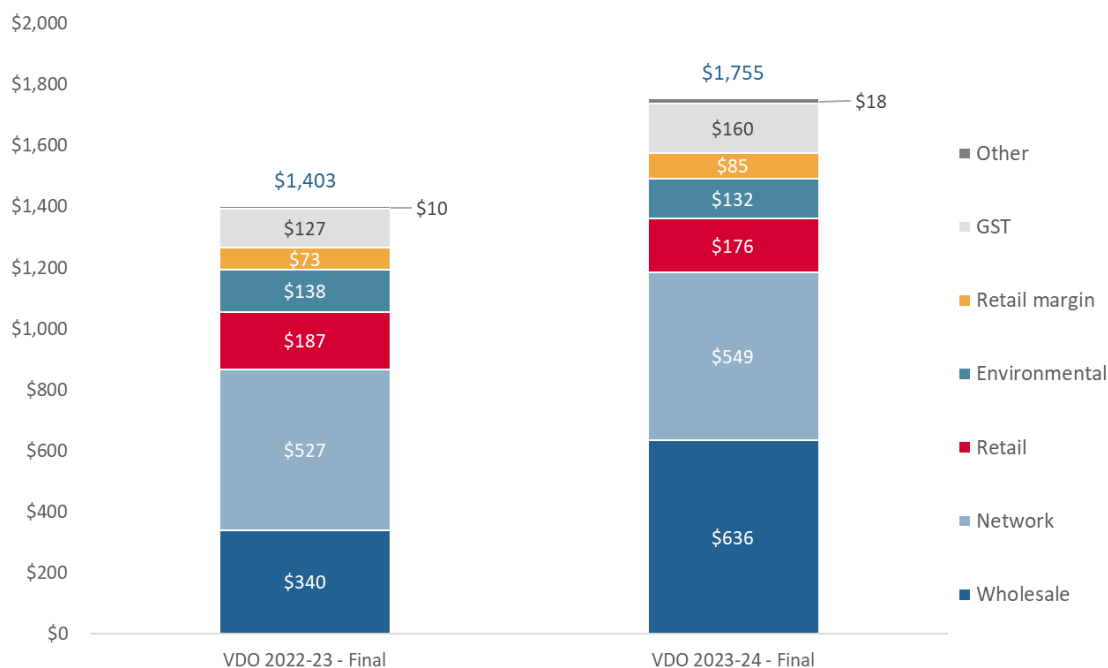
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<sup>1</sup> The commission has historically reported Victorian Default Offer average annual bills for small business customers assuming an average annual usage of 20,000 kWh, including in the draft decision released in March. We have quoted the 10,000 kWh figure in the final decision to align with how small businesses prices are reported in default market offers in other states. If assuming an average annual usage of 20,000 kWh, the final 2023–24 Victorian Default Offer represents an annual increase of 27 per cent (around \$1,493) for small business customers.

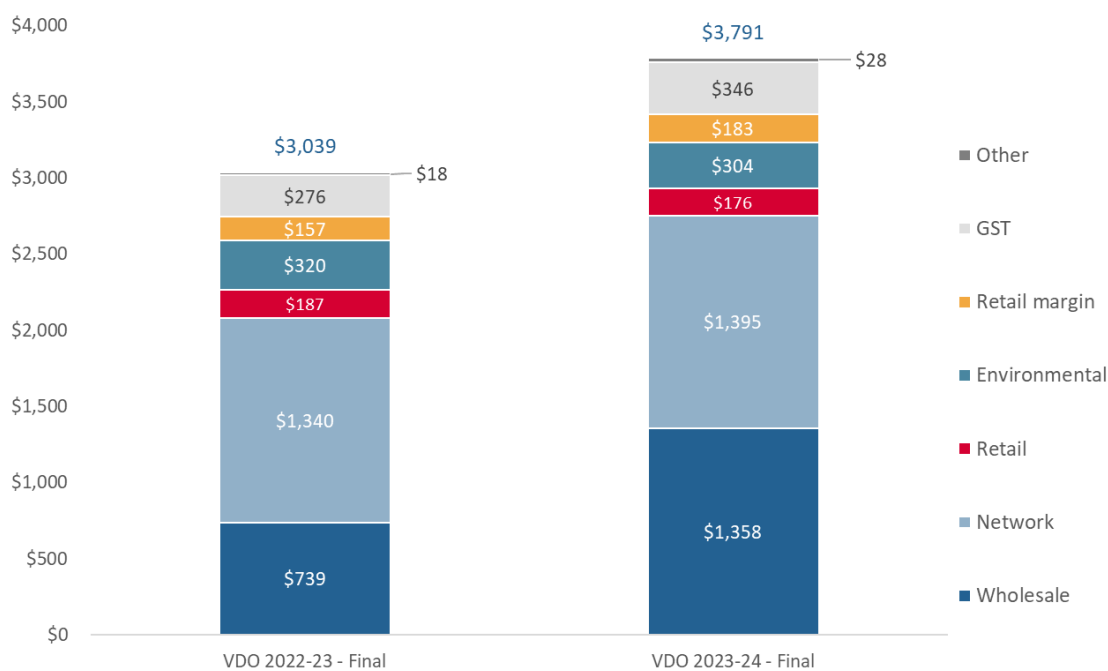




**Figure 1: Change in average Victorian Default Offer annual flat tariff bill for domestic customers with annual usage of 4,000 kWh**



**Figure 2: Change in average Victorian Default Offer annual flat tariff bill for small businesses with annual usage of 10,000 kWh**





**Figure 3: Change in average annual Victorian Default Offer bills for domestic flat tariffs**

	Ausnet	Citipower	Jemena	Powercor	United Energy	Average
2023–24	\$2,026	\$1,571	\$1,720	\$1,793	\$1,666	\$1,755
2022–23	\$1,632	\$1,293	\$1,352	\$1,412	\$1,324	\$1,403
% change	24%	22%	27%	27%	26%	25%

## What changed between the draft and final 2023–24 Victorian Default Offer?

Released on 15 March 2023, the draft decision on the Victorian Default Offer was open for comment and consultation via [Engage Victoria](#).

We received 25 written submissions and 110 people joined our public forum on 30 March 2023.

The final offer is around \$74 lower for residential customers and around \$126 lower for small business customers than prices proposed in the [draft decision](#). For domestic customers this reflects:

- a four per cent fall in our wholesale energy cost benchmark
- a five per cent drop in final network tariffs from the Australian Energy Regulator
- a reduced retail margin of 5.3 per cent.

## How is the Victorian Default Offer set?

The Essential Services Commission (Victoria's energy regulator) sets the default offer each year, based on an independent analysis of the efficient costs of buying and supplying electricity in Victoria, taking into account:

- wholesale electricity futures market costs



- network costs
- environmental costs
- retail costs
- network losses
- retail operating margin
- other relevant costs including tax.

The commission also consults with the energy industry and the community to inform its decision on default offer pricing, through submissions and a public forum.

## How many people are on the Victorian Default Offer?

Around 400,000 Victorian residential customers and 55,000 small businesses are currently on the Victorian Default Offer. This represents around 15 per cent of households and 19 per cent of small businesses. The default offer is also the maximum price that can be charged to the approximately 150,000 Victorian consumers whose electricity is supplied through embedded networks, such as apartment buildings or shopping centres.

## What's the difference between the Victorian Default Offer and the Default Market Offer?

These are both reference prices designed to make it easier for customers to compare energy plans from different retailers.

- The **Victorian Default Offer** was created to support consumers who do not want to or are unable to engage in the market. It's a price set by the Essential Services Commission, Victoria's energy regulator.
- The **Default Market Offer** applies in New South Wales, South Australia and south-east Queensland. It is set by the Australian Energy Regulator and is a maximum total bill amount energy companies can charge for 'standing offer' prices.





The different prices reflect the different costs and policy approaches of the regions covered, but they are both designed to help consumers access a reasonable price and compare prices. The Victorian Default Offer has historically been lower than the Default Market Offer.

## Are energy prices rising in other states?

Default offers are increasing in 2023–24 across Australia due to wholesale market price increases. The 2023–24 Victorian Default Offer prices are in line with most default offers in other states.

Victoria has tended to have electricity prices on the lower end compared to other states, with prices generally lower than New South Wales, South Australia and southeast Queensland.

## What's the difference between the Essential Services Commission and the Australian Energy Regulator?

The [Essential Services Commission](https://www.esc.vic.gov.au) is an independent regulator that promotes the long-term interests of Victorian consumers with respect to the price, quality and reliability of essential services. It regulates Victoria's energy, water and transport sectors and sets the Victorian Default Offer for electricity. It has no oversight role on wholesale energy markets. Visit: [esc.vic.gov.au](https://www.esc.vic.gov.au)

The [Australian Energy Regulator](https://www.aer.gov.au) regulates wholesale and retail energy markets, and energy networks, under national energy legislation and rules. The Australian Energy Regulator also sets the Default Market Offer for electricity prices in New South Wales, South Australia and south-east Queensland. Visit: [aer.gov.au](https://www.aer.gov.au)

## Got a question? Contact us

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