

9 August 2019

Essential Services Commission  
Level 37, 2 Lonsdale Street  
Melbourne, Victoria 3000

### **Submission regarding ‘Victorian Default Offer to apply from 1 January 2020’ issues paper**

The Brotherhood of St Laurence welcomes the opportunity to comment on the issues paper released by the Essential Services Commission (ESC) regarding the 2020 Victorian Default Offer (VDO).

The Brotherhood is highly supportive of the VDO and the ESC’s ongoing role in setting it. It is crucial for energy consumers to retain access to a fairly priced offer with fair terms and conditions, without conditional discounts and with protection from unreasonable price increases. We welcome the expansion of the VDO to apply to non-flat tariffs (such as time-of-use or demand tariffs) and the proposed methodology for determining non-flat prices.

The VDO has not been in place for long enough to draw firm conclusions on the impact on consumers or the market. However, we make the following brief observations:

- Over 100,000 households who were previously on standing offers are now paying substantially less for electricity, which is an essential service for a dignified life.<sup>1</sup>
- Victoria has gained four new electricity retailers in the past year – the most in a year since 2014.<sup>2</sup> This counters the argument that the VDO would deter new entrants and damage competition.
- More than 20 retailers are offering dozens of offers priced below the VDO at the time of writing.<sup>3</sup> This casts doubt on the argument that introducing the VDO would cause retailers to withdraw cheaper offers from the market.

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<sup>1</sup> Prediction of Energy Minister’s media release, 30 May 2019, <https://www.premier.vic.gov.au/saving-victorians-hundreds-of-dollars-off-their-power-bills/>

<sup>2</sup> See <https://www.esc.vic.gov.au/electricity-and-gas/electricity-and-gas-licences-and-exemptions/electricity-and-gas-licences#tabs-container3>

<sup>3</sup> Results of Victorian Energy Compare search for an average-consumption household in the Citipower distribution zone.

The Brotherhood considers that the approach taken to setting the VDO price in 2019 was reasonable, and does not have strong views on the setting of its components, and supports a similar approach for the 2020 VDO, as long as it continues to reflect a reasonable price for electricity.

### **Electricity prices in embedded networks**

In setting the maximum price for customers in embedded networks, the ESC should consider equity and cap prices at the VDO or below. Customers in embedded networks currently do not have access to the VDO, or a choice of reasonably priced offers. People living in embedded networks should not arbitrarily have to pay more because of where they live. Proponents of embedded networks argue that they 'provide cheaper power for tenants' and give 'access to cheaper bulk power'<sup>4</sup>; if that is so it should be possible to charge embedded-network customers the VDO price or less.

For further information about this submission, please contact Damian Sullivan (e: [REDACTED]; ph: [REDACTED]; m: [REDACTED]) or David Bryant (e: [REDACTED]; ph: [REDACTED]).

Yours sincerely,



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<sup>4</sup> <https://utilitymagazine.com.au/busting-the-biggest-myths-around-embedded-networks/>