

Energy Consumer Reforms

Executive Summary: Regulatory Impact Statement

16 May 2025



Acknowledgement

We acknowledge the Traditional Owners of the lands and waterways on which we work and live.

We acknowledge all Aboriginal and Torres Strait Islander communities, and pay our respects to Elders past and present.

As the First Peoples of this land, belonging to the world's oldest living cultures, we recognise and value their knowledge, and ongoing role in shaping and enriching the story of Victoria.

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Executive summary

Many Victorian energy consumers are experiencing financial stress. Consumers are facing rising energy prices and higher costs of living, which increases their risk of missing bill payments, entering into debt and being disconnected.

The Essential Services Commission aims to promote the long-term interests of Victorian consumers. Since the start of 2024, we have been reviewing the Energy Retail Code of Practice, to strengthen protections, reduce unreasonably high prices, and help lower energy bills.

We expect our proposed reforms will achieve those aims.

Customers experiencing payment difficulty and vulnerability will benefit from the reforms to lower energy prices. Other customers will be better able to access concessions, switch to their retailer's best offer and resolve complaints more efficiently.

Our key reforms can also improve the effectiveness of competition in the retail energy market. Currently, a few retailers are extracting more revenue from some customers, particularly those who cannot or are unwilling to engage with the energy market. At the extreme, some retailers may leverage customers' disengagement to extract more money from these customers, who end up paying a 'loyalty penalty'. We propose to reduce the extent of these practices.

The proposed rules will require all retailers to compete more fairly. Improving the effectiveness of competition will also help build consumer trust in the energy market.

Purpose of our review

We are reviewing the Energy Retail Code of Practice to enhance protections for Victorian energy customers during this critical time. The code sets important energy consumer protections, requiring retailers to help customers in payment difficulty. The code also regulates terms and conditions of energy contracts, the marketing of energy offers, and billing practices.

We began a review of the code in early 2024. We released an issues paper on 6 June 2024 and a discussion paper on 24 October 2024.

This document is a Regulatory Impact Statement (RIS), which assesses potential reforms to the code, and is required for this review. This RIS also forms an important part of our public consultation process.

The primary objectives of the proposed energy consumer reforms assessed in this RIS are to:

- help households pay less for energy
- enhance protections for energy consumers.

These are supported by three sub-objectives that addresses specific problems and also helps achieve the primary reform objectives. The sub-objectives are to:

- increase support for people experiencing payment difficulty
- support eligible people to access concessions
- improve awareness of independent dispute resolution services.

Our approach

For each of the proposed reforms, we describe the reform's purpose, stakeholder feedback received to date and the different options we have considered.

We assessed these options against a base-case that assumes no changes to existing rules. We used a multi-criteria analysis (MCA) to decide our preferred option – assessing each option against the criteria of effectiveness, cost to industry, and cost to government.

We believe that our proposed reforms will significantly benefit Victorian consumers and impose a reasonable and proportionate regulatory burden on energy businesses.

Our proposed reforms

Automatic best offer for customers experiencing payment difficulty

It is important for customers experiencing payment difficulty to be paying competitive prices for energy. This will help these customers afford their ongoing energy use and reduce the risk of falling into debt with their retailer.

Currently, retailers must provide customers with payment assistance if they miss a bill payment. One form of assistance is advising customers of the best tariff for them. Despite these rules, customers face several barriers to actively take up their retailer's best energy offer. Many customers are still leaving money on the table.

To address these barriers, we propose that retailers must automatically switch the following customers onto their best offer:

- Customers receiving tailored assistance, and
- Customers in arrears for at least three months and with arrears of \$1,000 or more (who are not receiving tailored assistance).

To reduce the key barriers for these customers to access the cheapest price, retailers would not need to seek explicit informed consent from the customer to switch. Customers will still be able to opt-out or request a switch back to their earlier contract.

This provides support to customers who are most likely to be experiencing payment difficulty, regardless of whether they have been able to engage with their retailer.

We estimate that retailers would switch up to 75,000 electricity and 60,000 gas customers to their best offer. This could result in total average annual savings of up to \$16.8 million for affected electricity customers and \$11.0 million for affected gas customers.

We also recognise that retailers will need to make major changes to their IT systems and processes to enable these automated processes, resulting in costs for the industry. However, we consider the effectiveness of the proposed approach outweighs the costs to implement it.

Improving access to cheaper offers

Some retailers' cheapest offers require customers to pay by direct debit or only receive electronic bills (known as e-billing). However, we heard that some customers cannot access these affordable offers due to these restrictions. Customers most affected are the elderly, First Nations peoples and culturally and linguistically diverse Victorians.

We are proposing changes to improve access to these cheaper plans.

We propose that retailers must offer alternative payment methods for all contracts and offer paper bills and e-billing options for all contracts.

Retailers could still charge a fee or provide a conditional discount for these options. However, any fees or discounts must be set at reasonable costs.

This proposed reform will also improve competition across all Victorian retailers by preventing practices that unfairly segment customers. Retailers would no longer be able to apply different conditions or restrictions based on a customer's payment method or billing type – practices that can create barriers to accessing competitive offers. Retailers that already offer plans without these restrictions may benefit and gain further market share because of the reforms.

Improving the ability to switch to the best offer

In the last financial year, over 60 per cent of electricity and gas customers were not on their retailer's best offer. This is despite rules requiring retailers to place a best offer message on customers' bills.

We propose an outcomes-based rule that requires a retailer to have effective processes for a customer to switch to their best offer. The process must be simple and accessible.

As a minimum, a retailer must have a switching process through its website and telephone. Retailers' websites must also have clear and simple instructions on how to switch, and the ability for a customer to compare their current plan to the best offer.

We believe these changes will help customers access cheaper plans. We have previously found that twenty-eight per cent of Victorian residential electricity consumers could have saved over \$100 per year from being on their retailer's current best offer.

These requirements may require costly system upgrades for retailers (particularly smaller retailers without limited existing processes or IT systems to support this change). However, we consider that these costs are outweighed by the need to help customers access competitive energy plans from their own retailers.

Protections for customers paying higher prices

Although most Victorian customers have switched to a new, lower-priced plan in the last two years, there are many customers on older contracts with prices above standing offers (above the VDO for electricity).¹ This problem is commonly known as a 'loyalty penalty'.

In Victoria, our analysis shows that a customer is more likely to face higher prices after being with the same retailer and contract for four years. Four per cent of Victorians are on contracts older than four years, and paying at least 10 per cent above the Victorian Default Offer.

We propose that a retailer must review its customers' prices annually, and ensure that a customer on a contract four years or older is paying a reasonable price for their energy.

Retailers could reduce the tariffs paid by an affected customer. Retailers could also switch that customer to a cheaper plan (and would not need a customer's explicit informed consent, but the customer would be able to opt-out or reverse the switch after receiving their first bill).

This reform could conservatively help between 27,000 and 53,000 electricity customers, with total estimated savings of between \$10.1 million and \$12.2 million in a year. Retailers would need to invest in new processes (and potentially its systems) to identify affected customers and actively switch a customer to a cheaper plan, or lower energy tariffs. On balance, the benefits of protecting affected customers from acutely high prices outweigh the costs to industry.

¹ Essential Services Commission, 'Customers on older plans significantly better off on their retailer's best offer', 16 May 2025.

Improving the application of concessions on bills

Victoria has the lowest rate of eligible households not receiving energy concessions in the National Electricity Market. However, recent reports suggest that 7 to 14 per cent of eligible Victorian households are missing out.² Many energy retailers ask customers of their concessions eligibility when signing up for a new plan, moving house, or when receiving assistance for payment difficulty. However, not all retailers undertake these actions, or to the same extent as each other.

We propose that retailers request concession eligibility information from a customer when a retailer considers it is relevant. In addition, a retailer must request this information:

- when entering into a new contract with a customer
- when a customer requests to switch to another plan
- when a customer contacts the retailer requesting payment difficulty assistance
- as soon as practicable, if a customer may be affected by family violence.

We expect these reforms will reduce the number of eligible customers currently missing out on energy concessions. While many Victorian retailers already have systems to undertake these checks, other retailers could face higher implementation costs.

We also recognise that broader initiatives to automate concessions based on eligibility information depend on system upgrades and new agreements between Services Australia, state governments and energy retailers. We support any work in this area to improve Victorians' access to concessions in the long term.

Extending protections for customers on legacy contracts

In 2020, we introduced a suite of reforms to ensure that contracts were clear and fair. The rules required any benefits on an energy contract to last the length of the contract. We have also capped the level of pay-on-time discounts. However, these protections only applied to contracts entered into from 1 July 2020. While the number of Victorian customers on older contracts have decreased over time, many still do not receive the same protections.

We propose that all fees and discounts relating to a payment condition (such as pay-on-time discounts) are limited to reasonable costs. If the scale of these conditional discounts exceeds this reasonable estimate (for example high pay-on-time discounts), retailers must apply these

² Victorian Council of Social Services, [The Missing 14%: why so many Victorians are missing out on energy concessions](#), 22 May 2023, p. 9.; Consumer Policy Research Centre, [Mind the Gap: Identifying the gap between energy concession eligibility and concessions received](#), November 2022, p. 4.

discounts unconditionally. This would apply to all contracts, including those that customers have entered into before 1 July 2020.

A retailer must also provide any discount, rebate or credit in a contract entered into before 1 July 2020 for the entire duration of the contract, if the benefit has not already expired.

We believe this is a targeted reform to remove the exposure of customers on older contracts to price shocks. This is especially when a customer does not meet payment conditions and faces a much higher energy cost.

We estimate that these reforms will protect 13,855 Victorian customers on old contracts who face a cost for not meeting their pay-on-time discounts. However, the number of these affected customers have been steadily decreasing since 2020 (with around five per cent of Victorian customers on these types of contracts as of 2023).

Improving awareness of independent dispute resolution services

The Energy and Water Ombudsman of Victoria (EWOV) is an independent dispute resolution service for energy customers. EWOV helps resolve complaints between a consumer and their retailer impartially, efficiently and fairly. Despite this free service, recent reports found that 66 per cent of Victorian consumers were not aware of EWOV.³

To help increase Victorian consumers' awareness of EWOV, we propose that retailers include the telephone number of the Energy and Water Ombudsman Victoria on the front page of a customer's energy bill.

Research indicates that customers benefit from clear information about dispute resolution services available to them. Consumers experiencing vulnerability stand to benefit the most, as access to these services could help them when they need it most.

While retailers will incur some costs to change customers' energy bills, we note that some retailers already voluntarily include EWOV details on its bills. Some retailers also include this information on energy bills in other jurisdictions where these rules already exist.

Increasing best offer and debt-disconnection thresholds

We are also proposing changes to two thresholds, which complement our key reforms.

³ 66 per cent were either not very familiar, or completely unfamiliar with EWOV. Energy Consumers Australia, [Energy Consumer Sentiment Survey: Topline Data](#), 12 June 2024.

We propose to increase the threshold for a customer to receive a ‘best offer’ message from \$22 to \$50 in estimated annual savings. This change will support the implementation of the proposed automatic best offer reform. On balance, we believe this change will give customers enough benefit, while limiting the additional regulatory and process burden on retailers. We also note that in 2018, our consumer behavioural testing found that 90 per cent of customers would need to save at least \$50 in order to switch.⁴

We also propose to increase the minimum debt amount that a retailer can disconnect a customer, from \$300 to \$500. The current threshold was set in 2017 and has not been updated. We have proposed protections for customers in arrears but are not receiving assistance from their retailers – these customers face a greater risk of disconnection. On balance, increasing the debt-disconnection threshold would increase protections for some customers, with marginal additional burden on retailers. In practice, most retailers only disconnect customers with much higher levels of arrears.

Summary of proposed reforms and impacts

Table 1: Summary of preferred options and proposed amendments

Reform topic	Preferred option	Relevant proposed amendments (Draft code v4)
1. Automatic best offer for customers experiencing payment difficulty	<p>Eligibility – Option AA.2 – Customers receiving tailored assistance and customers in arrears for at least three months and with arrears of \$1,000 or more.</p> <p>Implementation – Option A.1 – Automatic switch to best offer for all customers experiencing payment difficulty who meet the chosen eligibility criteria.</p>	Clauses 128(1)(a1), 128(2), 132A, 132B, 132C, 132D, 132E, 132F and 132G
2. Improving access to cheaper offers	Option B.2 – Require retailers to ensure plans are not restricted based on payment method (e.g. direct debit) or communication method (e.g. e-billing) and limiting conditional fees and discounts to reasonable costs.	Clauses 54A, 72(2A), 72(7) and 77A
3. Improved ability to switch to best offer	Option C.2 – Outcomes-based approach requiring a retailer to have effective processes for customers to switch to the best offer, with minimum requirements for a retailer’s processes (e.g. having a website and a telephone process; allowing customers to compare plans).	Clause 111A

⁴ The Behavioural Insights Team, [Testing the impact of behaviourally informed energy bills and best offers](#), 2018, p. 37.

4. Protections for customers paying high prices	Option D.2 – Principles-based approach requiring retailers to take reasonable steps to ensure customers on older contracts are paying a reasonable price, including a flexible definition of reasonable price.	Clauses 121A, 121B, 121C, 121D, 121E, 121F and 121G
5. Improving the application of concessions on bills	Option E.2 – Principles-based requirement for retailers to request concession eligibility information from customers at all times when it is relevant to do so and minimum requirements to request this information at specific contact points (e.g. at sign up).	Clause 16A
6. Extending protections for customers on legacy contracts	Option F.1 – Extend protections to all contracts (extending to contracts into before 1 July 2020).	Clause 77A and 96(1A)
7. Improving awareness of independent dispute resolution services	Option G.1 – Require the inclusion of EWOV's phone number on the front page of bills.	Clause 63(1)(v1)
Other proposed changes		
8. Increasing the best offer threshold	Increase the minimum potential savings for a negative best offer check from \$22 per year to \$50 per year.	Clause 109(1) and (2)
9. Increasing the minimum disconnection amount	Increase the minimum debt threshold for disconnections from \$300 to \$500.	Clause 187(2)

Our proposed reforms will reduce prices, especially for customers experiencing vulnerability. We recognise that every extra dollar saved by these customers is likely to be worth more to them than the average customer or the industry.

We note that retailers currently price their existing customers differently. Some retailers may respond to the new rules by raising prices for other customers to offset lower revenue from customers experiencing vulnerability, depending on how they adjust their pricing strategies. Retailers' ability to recover these costs is constrained by the effectiveness of competition. Revenue that is competed away in this context is not necessarily an economic cost, but a normal feature of effective and efficient market competition.

We recognise that retailers will face additional costs to implement the reforms, including the need to update systems and processes. This will depend on each retailer's individual billing systems and internal practices.

We look forward to working with stakeholders on how best to implement the reforms and limit implementation costs.

We propose a two-stage commencement process to give time for retailers to prepare for the new reforms, with the following timings for specific reforms:

- **1 January 2026:**
 - Protections for customers paying higher prices
 - Improving the application of concessions on bills
 - Extending protections for customers on legacy contracts
 - Improving awareness of independent dispute resolution services
 - Increasing best offer check and debt-disconnection thresholds
- **1 July 2026:**
 - Automatic best offer for customers experiencing payment difficulty
 - Improving access to cheaper offers
 - Improving the ability to switch to the best offer

We propose that the reforms are implemented through amendments to the Energy Retail Code of Practice. We are working with the Victorian Government to assess if any subordinate legislation or legislative amendments are required to support the proposed reforms (or subsequent suggestions from stakeholders).

Consultation questions

We welcome stakeholder views and feedback on the proposed reforms presented in this RIS and on the proposed amendments to the draft code. Table 2 presents our consultation questions.

Table 2: Consultation questions

Topic	Question
General questions	<ol style="list-style-type: none">1. Are there any additional costs and benefits that we should consider for the proposed reforms?2. Are there any additional implementation requirements we should consider for this package of reforms and each individual reform?3. Do you have any feedback on the proposed implementation timeframes for the proposed reforms?4. Are there any further considerations required for how each reform will interact with one another?

	5. If your preferred option differs from that identified in the MCA, could you please explain why?
Other matters considered	6. Do you agree with increasing the threshold for the best offer check results from \$22 to \$50? If not, what amount would be more appropriate, and why? 7. Do you agree with increasing the minimum disconnection amount to \$500? If not, what amount would be more appropriate, and why? Should this amount be indexed to account for inflation or increases in energy prices?
Automatic best offer for customers experiencing payment difficulty	8. Are there other mechanisms we should consider in the design of the automatic best offer to protect consumer choice and agency (in addition to the proposed opt-out and post switch reversal periods)? 9. Could the proposed amendments for the automatic best offer be enhanced to further reduce implementation costs and maximise benefits to customers experiencing payment difficulty? 10. Do you have any feedback on the proposed process and implementation timeframes for the automatic best offer?
Improving the ability to switch to the best offer	11. What metrics do you think could help assess the effectiveness of the process to switch to the best offer? 12. Are there any implementation issues for small retailers that we should consider regarding effective processes to switch to the best offer?
Protections for customers paying higher prices	13. What would you consider to be a suitable benchmark to determine a reasonable price for gas?

How to give us your feedback

We want to hear your views on the Energy Consumer Reforms: Regulatory Impact Statement.

Submissions should be made by **5pm on 26 June 2025** via [Engage Victoria](#).

Submissions will be published on the commission's website, except for any information that is commercially sensitive or confidential, in accordance with our [Submissions Policy](#). Submissions should clearly identify which information you consider to be sensitive or confidential, and the basis for your claim.

We will continue to proactively engage with key stakeholders as this review progresses.

If you have any questions or would like to arrange a meeting, please contact us at energyreform@esc.vic.gov.au.