

Minutes

Retail Market Review – Stakeholder Reference Group Meeting #18

Date and Time: Tuesday 15 October 2019, 9:30 am – 11:00 am

Location: Brussels Room, Dialogue Conference Centre, 50 Lonsdale Street, Melbourne VIC 3000

Present:

Name	Organisation
Ben Barnes	AEC
Elizabeth Molyneux	AGL
David Bryant	Brotherhood of St Laurence
Jake Lilley	CALC
Zac Gillam	EWOV
Larissa Nicholls	Monash University
Phil Gardiner	Onsite Energy Solutions
Bryn Dellar	Onsite Energy Solutions
Michael Beneviste	Powershop
Geoff Hargreaves	Red Energy
Brooke McKail	VCOSS
Gavin Duffy	St Vincent de Paul Society
Aaron Yuen	ESC
Sugi Sivarajan	ESC
Sean Criss	ESC
Sophia Dong	ESC
Anh Cao	AER (observer)
Andrew Cooney	DEWLP (observer)
Nathan Crombie	DEWLP (observer)

Agenda items

1.1. Welcome and general update

- Over the previous month, several workshops were held which focused on the development of our recommendation 3 and 4 reforms, the Victorian Default Offer and Life support decisions

1.2. Victorian Default Offer (VDO)

- We have released our draft decision which is out for consultation until Thursday 17 October
- A data request was sent out on the 1 October and we are currently analysing the data
- A public forum was held last week (8 October) to discuss the draft decision with stakeholders
- Once submissions close, we expect to release our final decision in late November.

Questions/comments from stakeholders

Will the data request that was sent out to the retailers be available on the website?

- It is not available yet, we are currently working through the data and analysing what can be released.

What will the data be used for?

- The data will be used to inform our final decision. We will not be using the data to directly set allowances, but it will be a useful comparison against the current benchmarks, and for further consideration if there are any significant differences. Going forward, we plan to work with retailers to understand how we can better utilise this data.

Given the short timeframe, retailers suggested that the commission or other government departments publish gazette notices and provide assistance to help retailers implement the VDO and other policies.

1.3. Compliance and reporting guidelines

- On Friday 13 September, the draft decision for the Compliance and Performance Reporting Guideline was published, with submissions closing yesterday.
- We are expecting to release the final decision in November.

Questions/comments from stakeholders

Members noted that as customer harm is the main driver, whether breaches with minimal customer impact should still be classified as a type 1 breach. Members also noted that the AER are reducing the number of type 1 breaches whereas the commission are increasing the number of type 1

breaches. Retailers seek further information on what breaches the commission considers critical and what is meant by genuine harm, and what obligations are time sensitive.

Members raised the importance of the indicator for multiple disruptions on the same property as it is a great signal for ongoing poor service and that it should remain in the compliance and reporting guidelines.

1.4. Competitiveness review

- Our public forum is scheduled for the 7 November with three economic experts presenting their views on how they would assess competition in Victoria, followed by a panel discussion on these presentations.
- The current confirmed speakers are Kris Funston (former Executive General Manager (EGM) Markets at the AEMC), Danny Price (Managing Director at Frontier Economics) and Prof. Catherine Waddams (Professor from the Centre of Competition Policy at the Norwich Business School). We expect these three experts will give a range of perspectives on competition.
- Panel members are still being finalised but following last month's meeting's recommendations and suggestions, current panel members include: Assoc. Prof. David Byrne, James Garriock, Cynthia Gebert, David Havyatt, Linda McMillan, Bruce Mountain and Tony Wood.
- We expect to provide the agenda as well as the papers written by the experts to stakeholders ahead of the forum.

Questions/comments from stakeholders

Will someone from the AEMC be present on the panel considering their role in market design?

- We intend to focus more on the Victorian market in this forum in regards to the speakers and the panel members. We believe Kris Funston, who led the AEMC 2017 and 2018 Retailer Energy Competition Reviews will also be able to provide a perspective on these approaches.

Members noted the importance of exploring competitiveness of the whole supply chain, the wholesale market.

- The Terms of Reference from the Victorian Government is to assess the competitiveness of the Victorian energy retail market. The primary focus is on the energy retail market, but could consider the wholesale market as it relates to the retail market.

Are these experts invited only for the forum?

- These experts will be invited just for the day. The purpose of this forum is to hold an early consultation to gather stakeholder views and these experts will provide insights and help inform us of these views.

Will there be any plans to record and upload the discussions online?

- We have discussed the possibility of recording the forum and we are currently working out the feasibility of this.

What will be the plan for the day and will the commission or the Victorian government be part of the discussion?

- The forum will have three speakers with a panel session and discussion following each speaker which will be facilitated by the commission.
- We intend to mostly be observing the discussions and gathering the range of views from stakeholders.

What will the commission be asking from the speakers?

- We will be asking the speakers how they would assess the competitiveness of the Victorian Energy Retail Market and what factors we should consider. We intend for the scope to be quite broad and general.
- We are also currently considering themes for the discussion such as service quality, experience of customers of the competitive energy market, outcomes for vulnerable customers and the role of government and regulation.

Members suggest including an expert on customer sentiments and experience from Energy Consumers Australia as there will be discussions from experts on behavioural insights.

- We note the concerns and will explore the possibility of including an expert with more background in consumer sentiments and insights in the panel.

Will the scope of the papers requested from the speakers be published?

- We intend to include the high-level questions we are asking the experts in the agenda which will be sent out shortly.

Members are concerned about how regulations in Victoria can potentially affect other jurisdictions and suggest including the AEMC into these discussions to have an overarching observer on all these markets and to observe and provide a bigger picture of competition analysis and the impacts across all jurisdictions.

- We note the concerns and we plan to invite the AEMC to the forum. Our aim for the forum and the whole review is to take ownership of our own competition review.

Will the views of business especially small business be represented in the panel as the panel is mainly focused on residential energy service?

- The commission takes note of this and will explore the possibility of having the views of business represented.

What is the next step after the forum?

- We intend to develop and publish a framework approach in our draft decision informed by the views from the forum. The framework will set the terms, boundaries and scope going forward on how we review competitiveness.

1.5. Clear & fair contracts

- We recently held a gas offer technical workshop on Thursday 3 October to discuss various issues and considerations we need to make in order to make regulatory decisions on the presentation of retail gas offers to customers.
- Discussion centred around factors we need to consider in setting a gas reference price, such as whether we use the same framework as the electricity reference price to set the gas reference price as well as the clarity of mass marketing and advertising of gas offers.

Questions/comments from stakeholders

Members raised concerns about the need to conduct a long consultation and engagement process in the setting of the gas reference price. Members expressed there has been lack of communication on the direction of the decision from the commission. Members have noted the importance of open and transparent engagement from both the industry and the commission in making decisions. Retailers are also concerned that the short timeline of the gas reference price decisions and makes it difficult for retailers to implement given the lack of information from the commission about the direction of these decisions.

- The commission noted these concerns. The consultation and engagement process with stakeholders are a critical part in our decision making and the formal place of our process and decisions is through our decision papers.
- Due to the challenges raised in the setting of a gas reference price, consultation between retailers and the commission have been necessary to gain clarity into the challenges and factors in making a decision.

Will the draft decision include changes in the code?

- We intend to include an updated Electricity Retail Code in the draft decision.

1.6. Other

1.6.1. Reflections on the implementation of the VDO and recent retail reforms

- Brokers have reported there is generally low knowledge of the VDO with some people perceiving the VDO as a cap
- Many consumers are distrustful and sceptical of the 'best offer'
- The VDO is useful as an anchor point however as many customers are disengaged from the energy market the VDO is not being utilised appropriately

- There has been a lack of visibility about the VDO, however as there is a new pricing mechanism being introduced in January this may be a good time to decrease confusion
- Retailers have noted there is confusion amongst consumers about the transition of discounts

1.6.2. Life support discussion

Questions/comments from stakeholders

Members are concerned with the implementation timeframe of the life support changes for gas. The current timeline is impractical as it is not possible for gas distributors to make process changes by 1 January 2019.

Appendix A - Agenda

No.	Item	Presenter	Duration
1	Welcome & general update		
	<ul style="list-style-type: none"> Update and discussion on draft decisions, particularly the Compliance and Performance Reporting Guideline and indicators relating to the 1 July reforms 	Aaron Yuen (Chair)	15
2	Competitiveness review		
	<ul style="list-style-type: none"> Discussion on considerations for our approach to consultation (see attachment A) 	Aaron Yuen (Chair)	30
3	Clear & fair contracts		
	<ul style="list-style-type: none"> Update 	Aaron Yuen (Chair)	5
	<ul style="list-style-type: none"> Discussions on considerations in developing a Victorian gas reference price 	Aaron Yuen (Chair)	30
4	Other		
	<ul style="list-style-type: none"> Any other business 	All	10