



Energy compliance and enforcement priorities 2019–20

June 2019



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Summary

In the 2019–20 financial year our compliance and enforcement work will focus on restoring trust in the energy market. We aim to ensure that:

- vulnerable customers are protected from disconnection and accumulating debt
- customers are given easy to understand information so they can choose the energy deal that is right for them
- energy businesses that break the rules are held to account.

To achieve these objectives our proactive compliance and enforcement work will focus on these priority areas:

- payment difficulty framework
- family violence protections
- best offer and clear advice requirements
- Victorian Default Offer
- smart meters
- Victorian Energy Compare offers
- embedded networks.

We will continue to closely monitor and take action where we become aware of serious breaches of the energy rules, including where energy businesses:

- transfer customers without consent
- wrongfully disconnect customers
- fail to notify customers of planned interruptions, especially customers with life support equipment
- discriminate against customers with solar panels
- overcharge customers.

Context

The energy market is changing rapidly. Customers have more options than ever before when choosing their energy retailer. Customers are taking up solar and battery storage at an increasing rate and new business models are available in the market.

While these developments have delivered some benefits to customers, the independent review of the energy market in Victoria found that high prices, confusing discounts and retailer behaviours had eroded customers' trust and confidence in the energy market.¹

In this context, we have started to lay the foundations to rebuild trust in the energy market. In recent years we have created new obligations for energy businesses to protect vulnerable customers and provide easy to understand information so customers can choose the product that is right for them.

It is vital that we continue to monitor compliance with these new rules and where we find breaches that we take strong enforcement action. The recent banking royal commission highlighted that regulators must be both vigilant and active to build customers' trust in the market.²

From 2019–20 the Victorian Government is providing additional funding to the commission to help us perform this role. As a result, this year we will be doing more than in any previous year to build customers' trust that energy businesses will act fairly and follow the rules.

We have selected seven priority areas that will be the focus of our compliance and enforcement work for 2019–20.

¹ John Thwaites, Patricia Faulkner AO and Terry Mulder, 'Independent Review into the Electricity & Gas Retail Markets in Victoria', August 2017.

² Kenneth Hayne AC QC, 'Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry: Final Report', 1 February 2019.

Energy compliance and enforcement priorities

2019–20

Priority areas

The priority areas set out below will be the focus of our compliance and enforcement work for the next year. By promoting and enforcing compliance in these areas we aim to restore trust in the energy market.

Payment difficulty framework

The payment difficulty framework commenced operation on 1 January 2019. The framework gives customers an entitlement to assistance if they are facing payment difficulty and is designed to ensure that disconnection only occurs as a last resort. The provisions of the framework require retailers to help their customers for example by accepting instalment plans, providing additional time to pay arrears and giving the customer information about government assistance such as the utility relief grant scheme. The framework is the main way we seek to protect vulnerable customers who may be struggling to pay their bills.

Family violence protections

From 1 January 2020, energy retailers will have to implement family violence policies and provide assistance to customers affected by family violence. The new provisions require retailers to treat customers affected by family violence with care and respect, and avoid actions that might endanger the customer.

Best offer and clear advice requirements

From 1 July 2019, energy retailers will have to tell their customers whether they are on the retailer's best available offer on their bill and give clear advice to customers to help choose an energy plan that is right for them. This helps customers to confidently engage in the energy market.

Victorian Default Offer

From 1 July 2019, energy retailers will have to offer customers the Victorian Default Offer. This is an electricity plan with a tariff that is set independently by the government. All customers currently on standing offers will be transitioned to the Victorian Default Offer, potentially saving them hundreds of dollars a year on their electricity bills.

Smart meters

Most Victorian electricity customers have paid for a smart meter. Smart meters were rolled out with the intention of providing benefits to customers including:

- access to real time usage data that can be fed into the Victorian Energy Compare website to tailor electricity offers to the customer's usage patterns
- fewer estimated electricity bills
- the ability to be paid for solar electricity exported to the grid.

We intend to check whether electricity distributors are meeting their smart meter data obligations.

Victorian Energy Compare offers

Energy retailers are required to upload and maintain all of their generally available energy plans on the Victorian Energy Compare website. This gives customers a one stop shop to compare all the energy plans that are available to them and choose the best plan. It is critical that the information retailers provide to Victorian Energy Compare is accurate and maintained appropriately so customers can rely on it when selecting the best plan for them.

Embedded networks

Many Victorians buy their electricity through an embedded network. These customers may not be able to easily access the benefits of competition in the retail electricity market. While embedded networks do not need to hold a licence to sell electricity, they must register with us and join the Energy and Water Ombudsman Victoria dispute resolution scheme. We will investigate whether all embedded network operators are properly registered and complying with their obligations.

How we select priorities

We have chosen the above areas based on a range of factors, including the extent to which the obligations:

- are new
- protect vulnerable customers
- promote competition and transparency in the market
- prohibit harmful conduct.

Continuing priorities

While we have prioritised the above areas, there are other obligations we think are of critical importance in restoring trust in the energy market. Accordingly, we will continue to closely monitor and take action where energy businesses breach these rules, including where businesses:

- transfer customers without consent
- wrongfully disconnect customers
- fail to notify customers of planned interruptions, especially customers with life support equipment
- discriminate against customers with solar panels
- overcharge customers.

Our compliance and enforcement approach

We will take a multifaceted approach to promoting customer protections under the energy rules.

Education

We will seek to help customers and energy businesses understand their rights and obligations.

We help customers to understand their rights through advertising, social and traditional media, our website and by engaging with consumer advocacy groups.

We also help energy businesses to understand their obligations through direct communications, publishing guidance material, working with the Energy and Water Ombudsman Victoria, and by both hosting and attending workshops and forums.

Monitoring and analysis

We will monitor the energy industry to detect breaches of the rules and to identify any gaps in the rules.

We do this by analysing data and breach reports, building partnerships with community organisations and the Energy and Water Ombudsman Victoria, collaborating with other regulators and working with government.

Audit

Our annual audit program will check whether energy businesses have appropriate processes and policies in place to comply with the energy rules.

If we detect problems through our audit program we may investigate and take enforcement action.

Compliance and enforcement

When we become aware of a breach of the energy rules we may investigate and take enforcement action. We are guided by our Energy Compliance and Enforcement Policy in deciding what action is appropriate in a given case. Our actions may include:

- warning the business
- accepting a written remediation plan
- issuing energy industry penalty notices or wrongful disconnection penalty notices
- agreeing to an enforceable undertaking with the business
- serving an enforcement order on the business
- varying or revoking the business' licence.

Reform and advice to government

If we identify areas of concern in the energy market that fall outside of our rules, we can conduct research into the problem and amend the energy rules or advocate to government for a change to the energy laws.

Referral

Sometimes in the course of investigating possible breaches of the energy rules we discover breaches of laws that are not within our responsibilities. In these cases we will refer the conduct to the responsible regulator.