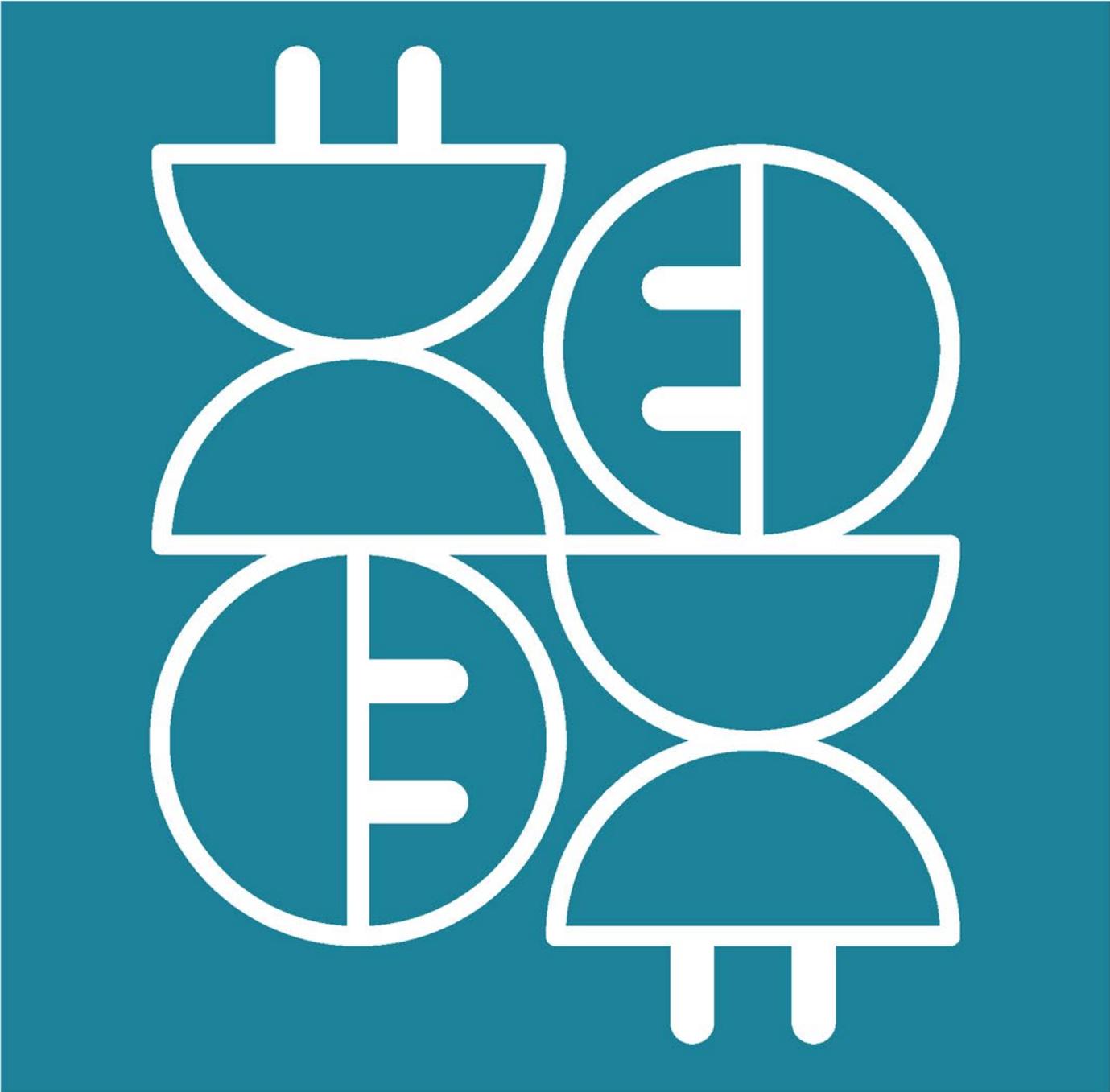


September
2020

Victorian Energy
Market Report





An appropriate citation for this paper is:

Essential Services Commission 2020, Victorian Energy Market Update: September 2020, 30 September

Copyright notice

© Essential Services Commission, 2020



This work, Victorian Energy Market Update, is licensed under a Creative Commons Attribution 4.0 licence [creativecommons.org/licenses/by/4.0]. You are free to re-use the work under that licence, on the condition that you credit the Essential Services Commission as author, indicate if changes were made and comply with the other licence terms.

The licence does not apply to any brand logo, images or photographs within the publication.

This Victorian Energy Market Update meets our reporting obligations under Sections 54V and 54W of the *Essential Services Commission Act 2001*, Section 39A of the *Electricity Industry Act 2000* and Section 47 of the *Gas Industry Act 2001*.

Introduction

This Victorian energy market update includes data from April to June 2020. It also includes more recent data we have collected on the impact of the coronavirus pandemic on energy customers.

This update provides a summary on:

- the impact of the coronavirus pandemic on energy customers
- disconnections of energy customers for non-payment
- price of energy offers in the market
- recent changes to the energy rules
- how energy companies are complying and performing against the energy rules
- newly licensed energy companies.



Reaching embedded network customers and operators

We launched our embedded networks communications campaign on 14 July in the lead up to 1 September [Victorian default offer maximum price changes](#).

Embedded networks are privately owned and managed electricity networks that supply all premises within a specific area or building. They generally buy electricity in bulk and sell it to customers within their network.

Designed to inform and educate embedded network customers and operators of their rights and obligations, the campaign kicked off with a direct mail out to 150,000 Victorians living in apartment buildings. This was followed up by a direct email to operators, a social media campaign and [article in Small Business Victoria](#), with the campaign receiving over 15,000 impressions on Twitter alone.

The next phases of the campaign will be rolled out during the first half of the 2020–21 finance year.

Flyer sent to 150,000 embedded networks customers in Victoria

LIVE IN ONE OF THESE?

APARTMENT BUILDING CARAVAN PARK RETIREMENT VILLAGE

IF SO, YOU MAY GET YOUR ENERGY THROUGH AN EMBEDDED NETWORK

This means your electricity network is privately owned and managed, supplying everyone in a specific area or building. If you are an embedded network customer, you still have rights.

- If you are having trouble paying your bill, you can access **payment difficulties assistance** and payment plans.
- You cannot be charged more than the **maximum** regulated price set for your electricity.
- You must be notified if the power is to be turned off for maintenance and repairs.
- You must be told how much you will be paying and any terms or conditions **before** giving your consent.
- And if you have a complaint that can't be resolved with your supplier, you can speak to the Energy and Water Ombudsman on 1800 500 509 (freecall).

It's Your Energy, Victoria.
Find out more about your energy rights at:
www.vic.gov.au/itsyouenergy

VICTORIA ESSENTIAL SERVICES COMMISSION

Contents

Introduction	3
1. Analysis of the impacts of the coronavirus pandemic on energy customers	5
Supporting energy customers through the coronavirus pandemic	5
Observations on the impact of the coronavirus pandemic on energy customers	6
Disconnections for non-payment	8
2. Compliance with the energy rules	10
Amaysim Energy pays \$600,000 for alleged sales agent fraud	10
Wrongful disconnections	11
Wrongful disconnection disputes referred to us	11
3. Prices of energy market offers	14
Residential electricity offers	14
Residential gas offers	14
The cost of not meeting your discount is still high but has fallen	16
Small business electricity offers	17
Small business gas offers	17
The cost of not meeting your discount is still high but has fallen	19
4. Recent changes to the energy rules	20
Reviewing parts of the customer protection framework for electricity customers	20
Changes to the back-billing rules	21
Timely electricity connections	21
5. Auditing energy businesses	22
6. Newly licensed energy companies	23
New electricity generators	23
New gas retail licences	23
New electricity retail licence	23
New licence applications	23

1. Analysis of the impacts of the coronavirus pandemic on energy customers

The commission is monitoring the impact of the coronavirus pandemic on Victorian energy customers and the responses of energy businesses to customers experiencing increased financial distress and uncertainty.

Supporting energy customers through the coronavirus pandemic

The coronavirus pandemic has caused significant health and economic impacts across the Victorian community with many residential and small business energy customers experiencing financial distress and uncertainty.

Since the start of the pandemic we have closely monitored the support that energy retailers have provided to customers in need of assistance. Based on the evidence available to us, we considered there was a need for targeted reforms to support residential and small business customers to meet bill payments during the pandemic.

The evidence showed:

- between April and July, more small business customers fell behind with average arrears for electricity accounts increasing by 20 per cent and 30 per cent for gas accounts
- 21 per cent of Victorians saying they are concerned about their ability to pay their energy bills.

In June 2020, we released a draft decision for consultation that proposed new requirements for retailers to:

- support residential customers in completing applications for government utility relief grants
- conduct a tariff check for all residential customers receiving tailored assistance
- provide temporary assistance to small businesses experiencing financial stress due to the coronavirus pandemic including flexible payment options; payment plans and tariff checks to help them minimise their energy costs.

We proposed these reforms would take effect from 1 October 2020 and last for six calendar months (other than the guideline relating to utility relief grants, which would continue).

We released our final decision to embed these changes on 24 August 2020.

New reforms to support energy customers during the coronavirus pandemic

Go to our website for more information:

<https://www.esc.vic.gov.au/electricity-and-gas/inquiries-studies-and-reviews/supporting-energy-customers-through-coronavirus-pandemic-2020>

Observations on the impact of the coronavirus pandemic on energy customers

The commission sent voluntary data requests to all retailers to monitor the number of energy customers receiving assistance to pay their bills. The following provides some observations on the data reported to the commission to date.

Residential customers receiving assistance

Following the government's introduction of JobSeeker and JobKeeper to support workers and businesses through the coronavirus pandemic, we observed a steady decrease in the number of residential electricity and gas customers receiving tailored assistance.¹

From the start of April to end of June, 14 per cent fewer residential customers received tailored assistance compared to the previous three months. This was also six per cent lower than the same period in 2019.

At the end of June, 15,649 residential electricity and gas customers (0.3 per cent of total residential customers) had chosen to defer their bill payments rather than enter a payment plan.

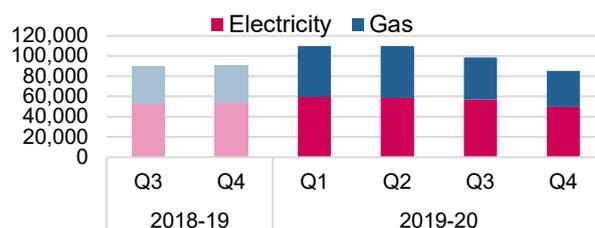
Small business customers receiving assistance

During the pandemic retailers have voluntarily provided payment assistance to small business customers. We have been monitoring the number of small business electricity and gas customers receiving

assistance, and have found this to be steady from April to June.

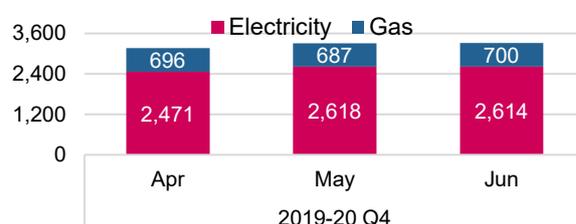
In the last week of June, 3,210 small business electricity and gas customers (0.9 per cent of total small business customers) chose to defer their payments rather than enter a payment plan.

Figure 1.1 Residential customers receiving tailored assistance, per quarter



Data source: *Compliance and Performance Reporting Guideline (CPRG) data collection*

Figure 1.2 Small business customers receiving payment assistance, per month



Data source: *Voluntary retailer weekly coronavirus data collection*

¹¹ Tailored assistance is available to customers who are in arrears (owe more than \$55 inc. GST) and have been unable to pay their bill. This assistance includes a plan to pay off your bills (over a period of up to two years), information on your energy use and how to lower it and advice on other assistance available to you (including energy relief grants and energy concessions)

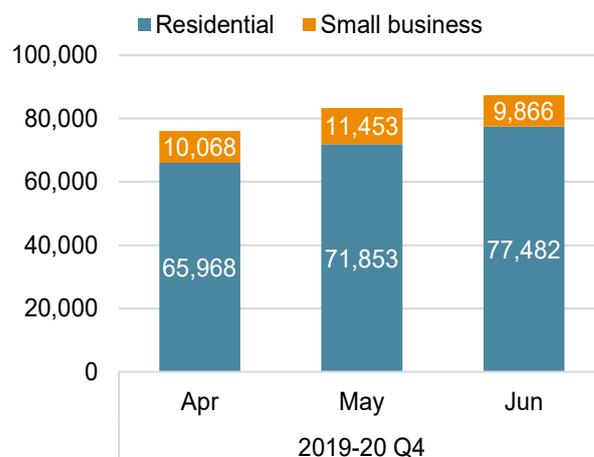
Customers missing bills

We requested energy retailers to report the number of bills not being paid by their due by date, as this measure can be an early indicator of upcoming customer debt.

Between April and June 2020, the average number of missed bill payments increased with each month.

In June 2020, an average of 87,348 residential and small business missed their bill payments each week. This was a 15 per cent increase compared to the 76,036 in April 2020.

Figure 1.3 Missed bill payments, per month



Data source: *Voluntary retailer weekly coronavirus data collection*



Impact on customers after June 2020

The number of residential and small business customers on payment plans continued to decline between June–August 2020. During this period, more customers chose to defer their bill payments instead of commencing new payment arrangements.

The number of residential and small business customers missing paying their bill by the due date decreased in July and August.

We are continuing to monitor data on a weekly basis, noting feedback from our community and industry forums about concerns of the effect on customer arrears after September 2020.

More information on the coronavirus pandemic impact on energy customers is available on our website:

<https://www.esc.vic.gov.au/electricity-and-gas/market-performance-and-reporting/energy-customer-support-during-coronavirus-pandemic>

Disconnections for non-payment

From 1 January 2019, new rules to protect Victorian customers who are struggling to pay their energy bills came into effect. These rules are designed to ensure residential customers are only disconnected for non-payment of a bill as a measure of last resort.

No disconnections for non-payment from April to June

During the restrictions in place in Victoria relating to the pandemic, disconnections of residential customers for non-payment ceased.

Five electricity and two gas residential customers were disconnected for non-payment during the early stages of April. No further disconnections for non-payment occurred after mid-April.

This financial year there have been 9,907 fewer electricity and gas disconnections for non-payment, a 27 per cent reduction from 2018–19.



No disconnections for non-payment since 30 June 2020

Based on the most recent data we have collected, there have also been no disconnections for non-payment in July and August.

Figure 1.4 Residential disconnections for non-payment, per quarter



Data source: *Compliance and Performance Reporting Guideline (CPRG) data collection*

Figure 1.5 Quarterly residential disconnections for non-payment, electricity

Financial year quarter	Electricity				
	2015–16	2016–17	2017–18	2018–19	2019–20
Jul-Sep	10,255	5,476	8,036	8,399	7,540
Oct-Dec	8,345	6,543	6,372	5,363	4,981
Jan-Mar	7,928	8,010	8,796	4,731	5,690
Apr-Jun	5,832	8,560	10,620	4,584	5 ²
Total (year to date)	32,360	28,589	33,824	23,077	18,216

Data source: Compliance and Performance Reporting Guideline (CPRG) data collection

Figure 1.6 Quarterly residential disconnections for non-payment, gas

Financial year quarter	Gas				
	2015–16	2016–17	2017–18	2018–19	2019–20
Jul-Sep	7,420	3,706	6,058	4,821	3,167
Oct-Dec	7,113	4,092	5,740	3,959	3,021
Jan-Mar	5,703	4,669	4,911	2,860	2,416
Apr-Jun	3,914	5,027	4,941	2,012	2 ²
Total (year to date)	24,150	17,494	21,650	13,652	8,606

Data source: Compliance and Performance Reporting Guideline (CPRG) data collection

² Note that five electricity and two gas disconnections for non-payment occurred in early April.

2. Compliance with the energy rules

Licensed energy retailers, distributors, transmitters, and generators operating in Victoria must comply with the state's energy rules. We regulate the energy market by promoting and enforcing compliance with the rules. When we identify poor performance or potential breaches of the rules, we act to protect customers and deter future non-compliance.

Amaysim Energy pays \$600,000 for alleged sales agent fraud

In April 2020, Amaysim Energy (also trading as Click Energy) paid 30 penalties totalling \$600,000 after a sales agent allegedly falsified customer details to sign them up without their consent.

An Amaysim Energy sales agent entered 19 customer's details into an online form without their permission, to sign them onto new energy contracts.

Although Amaysim Energy identified that the responsible agent was processing a high number of sales, they proceeded to transfer and bill the customers.

Retailers are responsible for their sales agents' actions and we have made it a priority in recent years to stamp out this kind of fraudulent conduct.



Penalties paid after June 2020

In July 2020, AGL paid 30 penalties totalling \$450,000 after more than six thousand Victorian pensioners and other concession customers fell victim to a computer billing error by AGL.

AGL sent letters to the affected customers telling them they had been undercharged but with no further explanation. In August and September 2019, AGL allegedly sent follow-up bills with additional charges, to recover the accidental undercharging but without explaining the extra costs.

Retailers are permitted to recover undercharged amounts but must comply with the protections set out in the code. This includes stating the amount to be recovered as a separate item in a special bill or the next bill, together with an explanation of that amount.

Wrongful disconnections

Retailers must report to us when they make wrongful disconnections and, in most cases, the retailer must compensate the customer.

Between April and June 2020, retailers reported they had wrongfully disconnected 61 customers in the preceding months³. This was eight per cent less compared to the same period last year (five fewer customers).

Retailers paid a total of \$70,023 to affected customers – 22 per cent less than the same time in 2019.

There were proportionally fewer payments during this period as there were instances where the retailer was unable to make the payment. The main reason was due to the retailer not being to make contact or identify the customer.

Wrongful disconnection disputes referred to us

If a customer and their retailer cannot resolve a disconnection dispute, the customer may go to the Energy and Water Ombudsman of Victoria for support. If the ombudsman and retailer are unable to resolve the issue, the matter may be referred to us.

The commission resolved three wrongful disconnection cases between April and June 2020, including two cases leading to customer payments:

- Lumo Energy wrongfully disconnected a customer's gas supply because they did not resolve the customer's outstanding complaint, which related to the reason of disconnection, before proceeding with disconnection. Lumo Energy was required to pay \$18,757 to the customer.
- Simply Energy wrongfully disconnected a customer's electricity supply because they did not resolve the customer's outstanding complaint, which related to the reason of disconnection, before proceeding with disconnection. Simply Energy was required to pay \$3,500 to the customer.

³ The earliest of these cases was disconnected in July 2019. The latest relates to an error in a customer requested disconnection in May 2020.

Figure 2.1 Self-reported wrongful disconnections, total payments made

Retailer	Total amount paid during the quarter			
	Jul – Sep 2019	Oct – Dec 2019	Jan – Mar 2020	Apr – Jun 2020
AGL	\$52,266	\$25,857	\$55,408	\$13,660
Energy Australia	\$8,522	\$8,034	\$13,605	\$8,635
Origin Energy	\$11,808	\$6,898	\$9,975	\$2,120
Lumo Energy	\$8,151	\$88,746	\$161	\$2,651
Red Energy	\$4,614	\$69,948	\$1,246	\$9,184
Simply Energy	\$2,673	\$9,628	\$11,143	\$15,308
Alinta Energy	\$7,101	\$3,766	\$9,445	\$4,174
Dodo & Commander (M2 Energy)	\$10,767	\$1,119	\$0	\$0
Momentum	\$11,822	\$9,007	\$222,695 ⁴	\$9,863
Powerdirect	\$512	\$526	\$0	\$745
Powershop Australia	\$527	\$822	\$6,235	\$185
Blue NRG	\$500	\$0	\$0	\$0
CovaU	\$0	\$2,973	\$0	\$3,500
Tango (Pacific Hydro)	\$37	\$642	\$3,324	\$0
Sumo Power	\$5,315	\$559	\$46	\$0
Total	\$124,615	\$228,525	\$333,283	\$70,023

Data source: Compliance and Performance Reporting Guideline (CPRG) data collection. Figures may not add up precisely due to rounding. Excludes wrongful disconnections disputes that were referred to us. July–September, October–December and January–March figures have been updated since our last update due to retailers' amendments.

⁴ These payments relate to disconnections that occurred between March 2018 to September 2019.

Figure 2.2 Self-reported wrongful disconnections, number of customers affected

Retailer	Total customers affected			
	Jul – Sep 2019	Oct – Dec 2019	Jan – Mar 2020	Apr – Jun 2020
AGL	26	19	20	6
Energy Australia	20	8	8	2
Origin Energy	6	7	7	5
Lumo Energy	7	8	2	11
Red Energy	10	21	3	15
Simply Energy	2	9	13	8
Alinta Energy	3	2	17	2
Dodo & Commander (M2 Energy)	4	3	-	-
Momentum	4	8	146	5
Powerdirect	1	1	-	2
Powershop Australia	1	4	9	4
Blue NRG	1	-	-	-
CovaU	-	1	-	1
Tango (Pacific Hydro)	1	3	8	-
Sumo Power	15	4	2	-
Total	101	98	235	61

Data source: Compliance and Performance Reporting Guideline (CPRG) data collection. Figures may not add up precisely due to rounding. Excludes wrongful disconnections disputes that were referred to us. July–September, October–December and January–March figures have been updated since our last update due to retailers' amendments.

Figure 2.3 Wrongful disconnection payment cases decided by the commission between April 2020 and June 2020⁵

Retailers	Outcome	Number of referrals	Total compensation amount
Lumo Energy	Wrongful	1	\$18,757
Simply Energy	Wrongful	1	\$3,500
Origin Energy	Not Wrongful	1	-

⁵ Figures are based on wrongful disconnection payment cases referred by the Energy and Water Ombudsman of Victoria

3. Prices of energy market offers

We compared the price of energy offers published by retailers on the Victorian Energy Compare website and observed that prices generally decreased over the quarter. The prices published may not be what customers on pre-existing contracts pay but reflects the offers being made by energy retailers in the current energy market.

The prices offered by energy retailers fell for residential and small business customers over the quarter, despite most market offers now not including discounts. For offers that still have pay-on-time discounts, the cost of not meeting discounts was lower compared to 2018 and 2019. From 1 July 2020, pay-on-time discounts will be capped.

Residential electricity offers

- The price of market offers decreased by 0.5 to three per cent, depending on the type of offer⁶⁶.
- There were 26 per cent fewer offers published than during the same quarter last year – 225 compared to 304.
- Market offers with no discounts have become the most common type of market offers in 2019–20.

- Nine out of 30 electricity retailers published new offers.

Residential gas offers

- The price of market offers, if all discount conditions are met, decreased by between 1.1 to 3.3 per cent.
- The average price of missing discount conditions, if you have a market offer, increased by 1.2 per cent.
- There were 13 per cent more offers published than during the same quarter last year – 416 compared to 366.
- Five out of 19 gas retailers published new offers.
- Market offers with no discounts have become the most common type of market offers in 2019–20.

New energy rules to provide price certainty for customers

Since 1 July 2020, energy retailers are only allowed to increase prices once a year. For many customers, this will happen on a set date one month after network tariff prices change.

Customers on fixed-price contracts will only experience any price increases on the anniversary of their initial fixed-price period expiring.

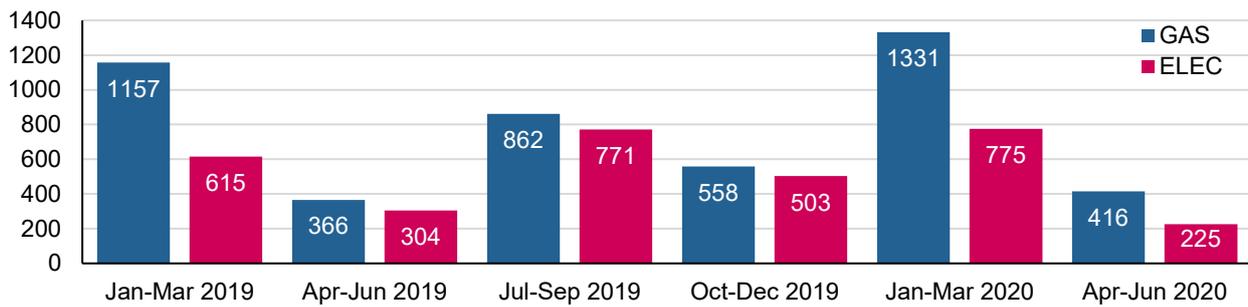
Retailers must also clearly communicate the time at which prices may change with their customers.



⁶⁶ These types of offers are outlined in figure 3.5 on page 16.



Figure 3.1 New residential offers published per month, for electricity and gas



Data source: Essential Services Commission analysis of Victorian Energy Compare (data query for 6 August 2020)

Figure 3.2 Residential customer annual bill estimates for energy offers

Types of offers	Electricity		Gas	
	31 March 2020	30 June 2020	31 March 2020	30 June 2020
Unconditional offers				
Victorian Default Offer (electricity) / Standard contract offer (gas)	\$1,517 ⁷	\$1,517 ⁷	\$1,840 ⁸	\$1,838 ⁸
(% change from 31 March 2020)		0%		0%
Market offers with no discount	\$1,405	\$1,394	\$1,500	\$1,484
(% change from 31 March 2020)		↓ 0.8%		↓ 1.1%
Market offer with a guaranteed discount	\$1,399	\$1,393	\$1,459	\$1,466
(% change from 31 March 2020)		↓ 0.5%		↑ 0.5%
Conditional market offers				
Discount market offers (where all discount conditions were met)	\$1,405	\$1,363	\$1,403	\$1,356
(% change from 31 March 2020)		↓ 3%		↓ 3.3%
Discount market offers (where all discount conditions were missed)	\$1,502	\$1,493	\$1,505	\$1,523
(% change from 31 March 2020)		↓ 0.6%		↑ 1.2%

Data source: commission analysis of Victorian Energy Compare (data query for 6 August 2020). The figures represented in the table are a simple average of all offers in the market, across all distribution zones. Based on typical residential customer using 4,000 kWh per year for generally available electricity offers (excluding offers with controlled loads) and 54.4 GJ per year for generally available gas offers. Figures include GST.

⁷ This is a simple average of the Victorian Default Offer annual bill based on the Gazetted rates.

⁸ For gas standing offers we only analysed offer where retailers had customers reported as being on standing offer as at 30 June 2020.

The cost of not meeting your discount is still high but has fallen

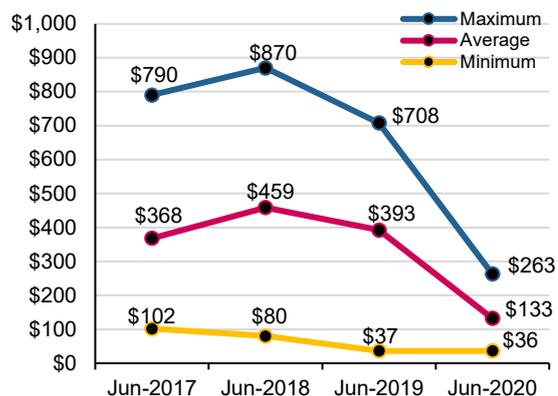
Residential electricity offers

- On 30 June 2020, the average cost of not meeting pay-on-time discounts was \$133. This is 66 per cent less than the previous year.
- Although the average cost of not meeting discount conditions has fallen, offers with the largest pay-on-time discounts are still expensive if a customer does not pay their bills on time, costing \$263 extra per year.

Residential gas offers

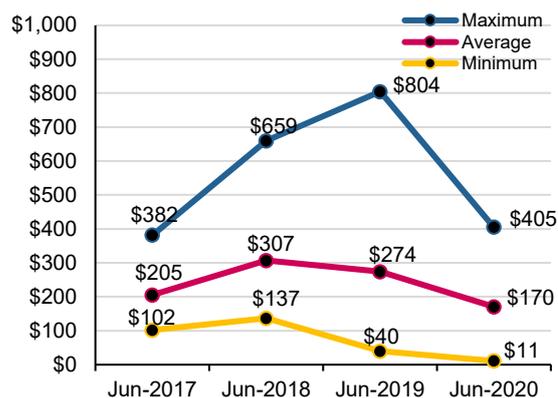
- On 30 June 2020, the average cost of not meeting pay-on-time discounts was \$170. This is 38 per cent less than the previous year.
- Although the average cost of not meeting discount conditions has fallen, offers with the largest pay-on-time discounts are still expensive if a customer does not pay their bills on time, costing \$405 extra per year.

Figure 3.3 Annual cost of missing discounts, residential electricity



Data source: commission analysis of Victorian Energy Compare (data query for 6 August 2020)

Figure 3.4 Annual cost of missing discounts, residential gas



Data source: commission analysis of Victorian Energy Compare (data query for 6 August 2020)

Cap on pay-on-time discounts effective from 1 July 2020

From 1 July 2020, if a customer takes out a new energy offer with their current or new retailer, their pay-on-time discount will be capped at 3.62 per cent. This means the penalty for customers who miss a bill payment is limited to a reasonable amount.

Retailers must also honour pay-on-time discounts for customers receiving tailored assistance who miss a bill payment.

On 30 June 2020, seven per cent of residential electricity offers and 16 per cent of residential gas offers had conditional discounts below the cap.



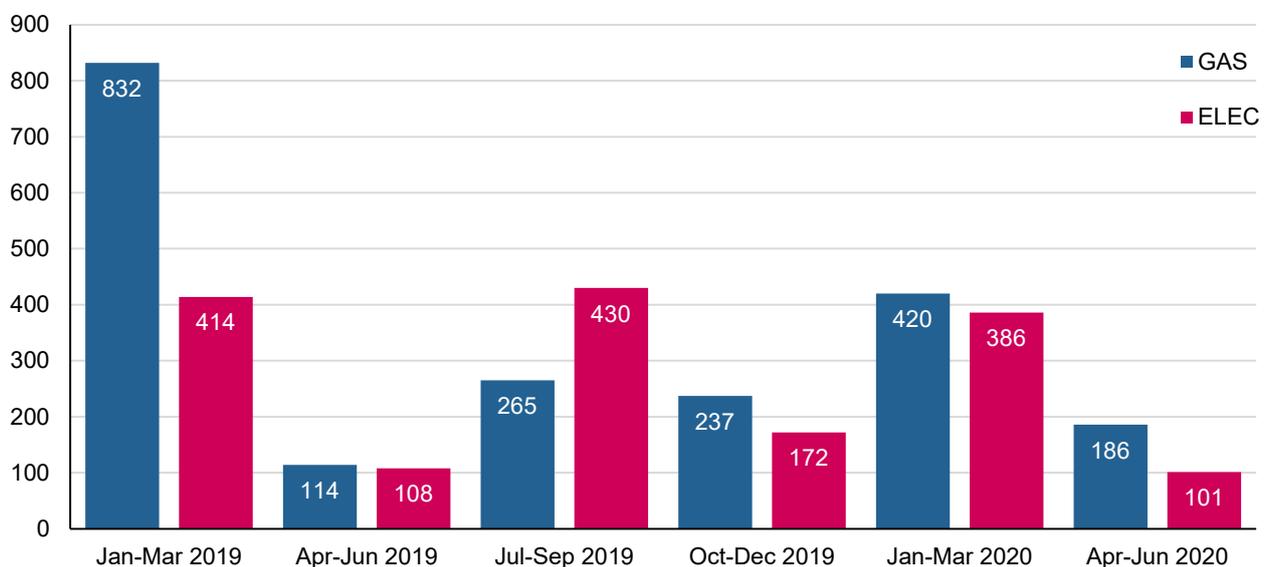
Small business electricity offers

- A total of 101 new electricity offers were published during the quarter, six per cent more than the same time last year.
- Eight out of 30 electricity retailers published new offers with these being cheaper than the offers previously available.
- Market offers with no discounts have become the most common type of market offers in 2019–20.
- The price of market offers decreased by 0.6 to 3.4 per cent, depending on the type of offer.

Small business gas offers

- A total of 186 new gas offers were published during the quarter, 63 per cent more than the same time last year.
- Five out of 12 gas retailers published new offers with these being cheaper than the offers previously available.
- Market offers with no discounts have become the most common type of offer throughout 2019–20.
- The price of market offers, if you meet all your discount conditions, decreased by between 0.1 to 0.8 per cent.
- The average price of market offers, if you miss your discount conditions, increased by 3.7 per cent.

Figure 3.5 New small business offers published per month, electricity, and gas



Data source: *commission analysis of Victorian Energy Compare (data query for 6 August 2020)*

Figure 3.6 Small business customer annual bill estimates for energy offers

Unconditional offers	Electricity		Gas	
	31 March 2020	30 June 2020	31 March 2020	30 June 2020
Victorian Default Offer (electricity) / Standard contract offer (gas)	\$4,006 ⁹	\$4,006 ⁹	\$12,490 ¹⁰	\$12,490 ¹⁰
(% change from 31 March 2020)		0%		0%
Market offers with no discount	\$3,896	\$3,908	\$10,049	\$9,968
(% change from 31 March 2020)		↑ 0.3%		↓ 0.8%
Market offer with a guaranteed discount	\$4,069	\$4,069	\$9,562	\$9,562
(% change from 31 March 2020)		0%		0%
Conditional market offers				
Discount market offers (where all discount conditions were met)	\$3,780	\$3,650	\$9,741	\$9,731
(% change from 31 March 2020)		↓ 3.4%		↓ 0.1%
Discount market offers (where all discount conditions were missed)	\$4,065	\$4,040	\$10,297	\$10,682
(% change from 31 March 2020)		↓ 0.6%		↑ 3.7%

Data source: commission analysis of Victorian Energy Compare (data query for 6 August 2020). The figures represented in the table are a simple average of all offers in the market, across all distribution zones. Based on typical small business customer using 12,000 kWh per year for generally available electricity offers (excluding offers with controlled loads) and 500 GJ per year for generally available gas offers. Figures include GST.

⁹ This is a simple average of the Victorian Default Offer annual bill based on the Gazetted rates.

¹⁰ For gas standing offers we only analysed offer where retailers had customers reported as being on standing offer as at 30 June 2020.

The cost of not meeting your discount is still high but has fallen

Small business electricity offers

- On 30 June 2020, the average cost of not meeting your pay-on-time discounts was \$607. This is 52 per cent less than the previous year.
- Although the average cost of not meeting discount conditions has fallen, offers with the largest pay-on-time discounts are still expensive if a customer is not paying their bills on time, costing \$1,115 extra per year.

Small business gas offers

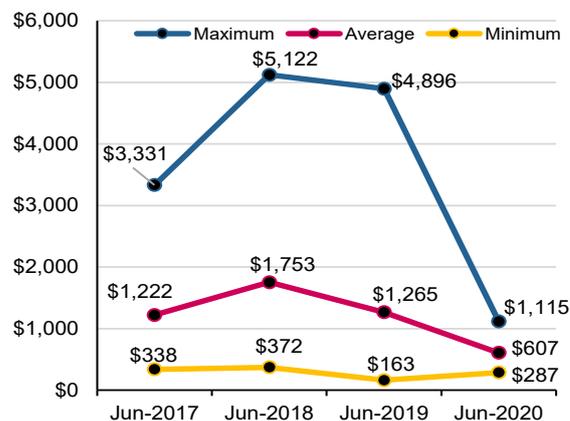
- On 30 June 2020, the average cost of not meeting your pay-on-time discounts was \$1,091. This is 20 per cent less than the previous year.
- Although the average cost of not meeting discount conditions has fallen, offers with the largest pay-on-time discounts are still expensive if a customer is not paying their bills on time, costing \$1,759 extra per year.

Cap on pay-on-time discounts effective 1 July 2020

From 1 July 2020, the 3.62 per cent cap on pay-on-time discounts will also apply to small businesses.

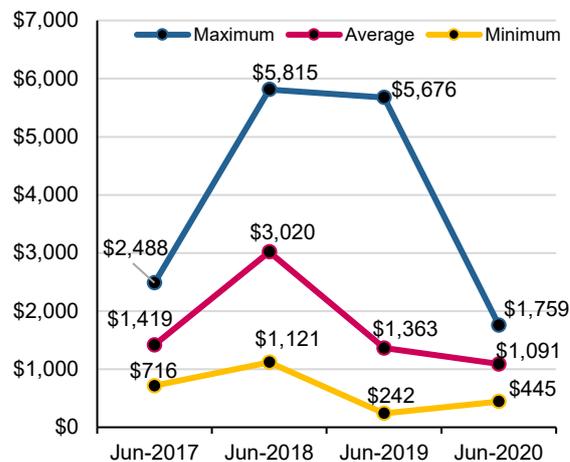
On 30 June 2020, there were no small business electricity offers and small business gas offers that had conditional discounts below the cap.

Figure 3.7 Annual cost of missing discounts, small business electricity



Data source: commission analysis of Victorian Energy Compare (data query for 6 August 2020)

Figure 3.8 Annual cost of missing discounts, small business gas



Data source: commission analysis of Victorian Energy Compare (data query for 6 August 2020)

4. Recent changes to the energy rules

We are reviewing key protections for electricity customers. These protections relate to improving the ways customers are notified about planned outages and updating our guaranteed service level scheme.

Reviewing parts of the customer protection framework for electricity customers

In May 2020, we released a draft decision for consultation that proposed reforms to:

- modernise and improve the methods of notifying customers about planned outages
- let customers know when planned outages are cancelled in most circumstances.

The draft decision also seeks that the guaranteed service level scheme:

- is fit for purpose and identifies customers who receive the poorest service from their distributor
- is up to date in terms of the value of payments and payment thresholds
- promotes timely payments to customers.

Our final decision will be released in late 2020, with new rules coming into effect in 2021.



What is the Guaranteed Service Level scheme?

The guaranteed service level scheme seeks to acknowledge the inconvenience customers experience when their distributor does not meet minimum service standards.

The current scheme requires a distributor to pay a customer in instances where a level of service, covering unplanned outages or poor service, is worse than the thresholds we set.

Guaranteed service level payments are generally made by a distributor to the customer's retailer who then pass on as a credit to the customer.



Changes to the back-billing rules

In December 2019, the Victorian Government provided us with terms of reference to change the energy rules to reduce the amount of time retailers could back-bill a customer for incorrect billing.

The change reduced the amount of time a retailer could 'go back' to bill a customer who had been incorrectly undercharged, from nine to four months.

This reform was aimed at protecting customers from excessive bills where they have been undercharged and are not at fault.

In June 2020, we published our final decision to amend the energy code that reduces the allowable back-billing period to four months.

The new rule comes into effect on 1 January 2021.

Timely electricity connections

In 2018, we were asked by the Victorian Government to provide advice on improving the timeliness of connections in greenfield areas.

Over two years we worked with distributors and the development industry to improve customer service, increase transparency and resourcing about the connections process and review audit practices.

In June 2020 we commenced consultation on further opportunities to improve the electricity connections process and make it sustainable.

The project aims to help people move into their new homes quicker by improving how electricity distribution businesses manage new connections.

Options being considered include:

- placing an obligation on distribution businesses to publicly report their performance
- placing expectations on distribution businesses to regularly review the connections processes
- regulating the timeframes to undertake stages of the connections process.

We expect to release draft and final decisions in the second part of 2020.

5. Auditing energy businesses

We audit energy businesses to help us understand how they are complying with rules designed to protect customers. If we detect problems through our audit program, we can investigate further and may take enforcement action.

In response to the emerging impact of the coronavirus pandemic on the energy market, we reshaped the scope and delivery of our 2020 compliance program.

We put planned audits on hold and issued a pulse check on 4 May 2020 to 25 residential energy retailers, to assess whether customers were being supported during the pandemic.

The pulse check required retailers to self-assess performance against their obligations under our payment difficulty framework, and family violence protections.

The results of the pulse check enabled the commission to assess the ability of energy retailers to support customers experiencing vulnerability at this time.

We intend to use this information to inform our future stakeholder engagement and education activities for industry.

The results also help us consider the effectiveness of our protections for customers experiencing payment difficulty and family violence.

6. Newly licensed energy companies

Anyone generating, transmitting, supplying, or selling electricity; or supplying or selling gas to retail customers in Victoria must hold a licence granted by us, or be exempted from this requirement.

From 1 April to 30 June 2020, we issued two electricity generation licences, one electricity retail licence and two gas retail licences.

New electricity generators

From 1 April 2020 we licensed over 90MW of generation capacity including:

- Cherry Tree Wind Farm Pty Ltd
- Sustainable Energy Infrastructure (as trustee for the Sustainable Energy Infrastructure Trust).

New gas retail licences

We issued gas retail licences to:

- OVO Energy Pty Ltd
- Energy Locals Pty Ltd.

New electricity retail licence

We issued an electricity retail licence to:

- OVO Energy Pty Ltd.

New licence applications

Between April and June 2020, we received applications for two new electricity retail licences.



Licensing after June 2020

From July 2020, we have issued two more licences, including:

- one new electricity generation licence
- one new electricity transmission licence.

Figure 6.1 Location of new generation in Victoria: April to June 2020

