

VICTORIAN

Energy Market

REPORT

SEPTEMBER 2022

Economic analysis of prices
and competition in Victorian
retail energy markets

New compliance
and enforcement
priorities for 2022-23

Energy in Victoria



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Chairperson's foreword

The past several months have seen dramatic price increases in both wholesale electricity and gas prices and the triggering of wholesale price caps, market interventions and spot market suspensions.

The focus of the Essential Services Commission during this time of unprecedented wholesale volatility has been on determining how to best promote the interests of Victorian energy consumers. This has included monitoring the financial viability of Victoria's energy sector, ensuring consumers remain connected to supply where their retailer might fail, and enforcing compliance with the strong protections Victorians are entitled to under the law.

In addition, we have continued our important role in monitoring and reporting on the competitiveness and efficiency of Victorian retail markets for electricity and gas. This quarter we are pleased to share some of the analysis on prices and competition that we use when monitoring the market.

Our work this quarter shows that median retail electricity offer prices increased by one to two per cent in the 2021-22 financial year, with a sharper increase of six to eight per cent from January to September 2022 on the back of higher electricity wholesale costs over the period. It is notable that although retail prices have risen over 2022, they are still relatively low in comparison to the last four years. We also find a strong correlation between electricity offer prices and prices paid by consumers - meaning that electricity offers appear to be a reasonable measure of prices paid. Another key finding - looking at electricity offer dispersion between May and September 2022 - was that we have seen fewer market offers that are substantially cheaper than the Victorian default offer.

In retail gas markets, we find that residential and small business offers increased by 19 and 18 per cent, respectively, in the 2021-22 financial year on the back of elevated gas wholesale costs over the period. However, there remain large differences between the cheapest and most expensive gas market offers, highlighting the benefits of using Victorian Energy Compare¹ to find the best value offer.

In a second article focusing on our recent compliance and enforcement activities, we give an update about one of our ongoing commitments to assisting compliance through the publication of guidelines to industry, and our proactive compliance monitoring programs examining retailers' best offer obligations. We are checking compliance with these important rules that help customers navigate the energy market, which seems to be more important now than ever. The program has identified compliance concerns and we will continue to provide updates on the program in the coming months.

Our work with energy retailers to improve their support for consumers experiencing payment difficulties also continues. We were encouraged by the level of engagement from industry, community and government stakeholder representatives at our three better practice workshops. The sharing of insights on what practical steps work to better support consumers was embraced by participants from across industry.

As we work to protect the long-term interests of Victorian consumers, it is important to remember your own rights as an energy consumer in Victoria. If you are having trouble paying your bills, we encourage you to talk to your retailer about payment plans and discuss concessions, rebates, and utility relief grants that may be available. If you are unsure of your rights you can find more information on our website.²

Kate Symons
Commissioner and Chairperson

¹ <https://compare.energy.vic.gov.au>

² <https://www.esc.vic.gov.au>

Economic analysis of prices and competition in Victorian retail energy markets



We continue to monitor and regulate the Victorian energy market in the long-term interest of Victorian consumers.

As the economic regulator for essential services in Victoria, we regularly monitor and report on the competition and efficiency of the retail energy market. In this article, we focus on the price of retail energy offers available in 2021-22 and the prices that consumers have paid for electricity. The key findings of this article are:

- Median retail electricity offer prices increased by one to two per cent in the 2021-22 financial year, with a sharp increase of six to eight per cent from January to September 2022 (on the back of higher electricity wholesale costs over the period).
- A strong correlation between electricity offer prices and prices paid by consumers - meaning that electricity offers appear to be a reasonable 6-12 month leading measure of prices paid.
- Electricity offer dispersion¹ between May and September 2022 shows an upward movement of offers towards the Victorian default offer (VDO).
- Residential and small business gas offers increased by 19 and 18 per cent, respectively, in the 2021-22 financial year on the back of elevated wholesale gas costs over the period.
- Gas market offers remain widely dispersed, highlighting the substantial benefit of using Victorian Energy Compare to find the best value offer.

We continue to monitor and regulate the Victorian energy market in the long-term interests of Victorian consumers. We also continue to examine energy retailers' compliance with obligations that are designed to protect customers when prices change.

¹ The term "dispersion" is used to discuss the distribution of data to avoid confusion with distribution areas.

Electricity

Higher wholesale electricity costs drive recent offer price increases

Over the 2021-22 financial year, the median electricity offer in Victoria increased by two per cent for residential customers and one per cent for small business customers. The offer price trend over this period was broadly U-shaped, but with a sharper increase from January until September 2022. During this period the median electricity offer in Victoria increased by eight per cent for residential customers and six per cent for small business customers. These electricity offer price trends can be seen in Figure 1 by retailer size group² for the Jemena distribution area, with the equivalent figure for all Victorian distribution areas available in the Appendix.

Wholesale electricity costs are a major component of end-user electricity prices. Overall, wholesale electricity prices trended down between 2018 and 2021, although daily variation has been increasing.³ More recently, wholesale electricity prices have increased significantly, with the daily weighted average wholesale electricity cost in Victoria increasing from \$60/MWh for the first three months of

2022 to \$240/MWh between April and August 2022 (see Figure 2). The Australian Competition and Consumer Commission (ACCC) and the Australian Energy Regulator (AER) note that factors contributing to these wholesale electricity price increases include:^{4,5}

- a significant increase in east coast gas spot prices, which directly increased the cost of gas-fired electricity generation to the extent these generators were not supplied from long-term gas supply contracts;
- a substantial increase in the market price of coal, which directly increased the cost of coal-fired electricity generation to the extent these generators are not supplied from long-term coal supply contracts;
- a decrease in electricity output from coal generators, following a five-year downward trend combined with planned and unplanned outages, which has been partly offset by an increase in output from gas generators; and
- parts of Australia experiencing extreme weather events, such as a cold front in May 2022 that caused daytime temperatures to drop 3-6°C below average, which increased energy demand.

Figure 1: Median annual electricity offer, by retailer size – Jemena



² An energy retailers' size is determined by their market share in the relevant market (e.g. residential electricity). Large retailers (such as Origin Energy) each have a market share greater than five per cent, medium retailers (such as Alinta) each have a market share between one and five per cent, and small retailers are defined by having market shares less than one per cent.

³ AEMO NEM Aggregated Price and Demand Data, (2022)

⁴ Inquiry into the National Electricity Market Addendum to the May 2022 report, Australian Competition and Consumer Commission 2022.

⁵ Wholesale Markets Quarterly Q2 2022 (April - June), Australian Energy Regulator, September 2022.

Victorian default offer (VDO)

The commission is responsible for determining prices for the Victorian default offer. The default offer's objective is to provide a simple, trusted and reasonably priced electricity option that safeguards consumers unable or unwilling to engage in the electricity retail market. It applies as a default price for most standing offers. Other customers may also ask to be put on the default offer.

We set default offer prices most recently in May 2022 for the 1 July 2022 to 30 June 2023 year.

These prices were set based on the same methodology we have used since the default offer started in 2019. We estimate benchmarks for the key costs incurred in delivering an electricity retail service – and these benchmarks must be based on the estimated efficient costs of supply.

This includes wholesale electricity purchases, which make up around 35-40 per cent of the default offer annual bill for households.

Our approach to estimating wholesale costs is the same approach we have used since 2019, which was informed by the hedging practices of retailers. Informed by industry feedback, we assumed a prudent retailer manages its exposure to fluctuations by purchasing publicly traded forward contracts (progressively over a period of 12 months in the lead up to a default offer determination period) to lock in prices they pay for electricity.⁶

We have been transparent about our methodology. It has been set out in the consultation papers, and draft and final decisions we have publicly released since 2019 and explained at public meetings.

A retailer hedging in a similar way to the default offer assumptions would not be immediately exposed to the full effects of recent increases in wholesale electricity prices, as their purchase costs would largely be locked in for the year. Moreover, a retailer adopting a contract profile like our assumptions for 2022-23 could benefit from net-payments when the contracts are settled.⁷

Accordingly, recent movements in wholesale markets do not necessarily mean the commission needs to reset default offer prices within a regulatory period. Nor do the recent movements in market offers, as set out in this chapter, on their own indicate the default offer needs to be reset.

This chapter shows the amount of market offers and price dispersion has reduced since May. But there are market offers available below the default offer. We are also mindful that the interests of consumers are supported by price stability and the role of the default offer in providing a safety net protection for Victorian customers.

Electricity generators have sought compensation for the recent administered pricing periods. We will monitor the outcome of this process (including the materiality of confirmed payments and their timing) and consider the implications for the Victorian default offer.

⁶ Note we also include a retail margin (5.7 per cent) to build up benchmark costs for the default offer.

⁷ A retailer choosing to adopt a different approach to wholesale cost risk management may be impacted differently in terms of the costs they face.

Electricity offers and prices paid: offers track prices paid

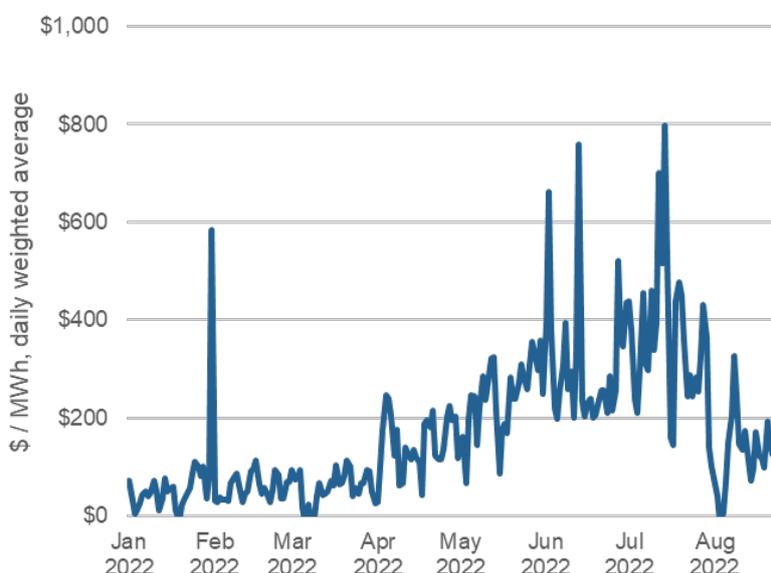
While Victorian consumers and the public can access information about energy price offers by searching websites such as Victorian Energy Compare, there is limited information publicly available about how these offers relate to the prices that Victorian consumers are actually paying.⁸ In analysing this relationship, we find reasonable support for using offer prices⁹ as a leading¹⁰ indicator of prices paid.¹¹ This means that offer prices have been a transparent and timely measure of prices paid since mid-2018.^{12,13}

This work also supports a detailed picture of competition and market dynamics when examining the trends in median values and dispersion for both offer prices and prices paid between mid-2018 and mid-2022. The median value is the mid-point, where

half of the observations are above and half are below the median. We use the 25-75th percentile range as a measure of dispersion, which is definitionally similar to the median, except for the proportion of offers sitting above and below.¹⁴

Using this methodology in Figure 3¹⁵ for the Jemena distribution area,¹⁶ and standardising consumption across offers and prices paid,¹⁷ we see that electricity offers and prices paid are broadly correlated¹⁸ through 2021, with a 6-12 month lag between offer prices and prices paid. This observation is consistent with economic theory concerning consumer search behaviour,¹⁹ search frictions²⁰ and information asymmetries²¹ that can change offer search frequency and impact consumers' decision making with respect to new information.

Figure 2: Wholesale electricity prices in Victoria - Victorian National Electricity Market (NEM) spot prices



⁸ The strength of this co-movement is hard to predict theoretically due to factors such as; search frictions, search costs, heterogeneous consumer preferences, contract lengths, and restricted offers.

⁹ Victorian Energy Compare (2022).

¹⁰ A leading indicator is a piece of economic data that corresponds with a future movement or change in some phenomenon of interest.

¹¹ Retail electricity invoice data (2021). The retail electricity invoice data is identical to the data received by the Australian Consumer and Competition Commission (ACCC) for their Inquiry into the National Electricity Market reports, except only covering Victoria. The retail electricity invoice data samples from retailers who supply a combined 88 per cent of Victorian residential electricity consumers.

¹² In terms of transparency, unrestricted retail energy offers are entirely captured by Victoria Energy Compare (VEC) and can be searched using the VEC website by Victorian consumers. This energy offer data is also directly accessed by the commission

¹³ In terms of timing, the VEC offers data is updated to August 2022 in real-time. In contrast prices paid data is based on invoicing data, which means that invoices must be processed and issued by the retailer before the information can be requested by the commission, making it difficult to access real-time prices paid information.

¹⁴ For example, the point where 25 per cent of observations are below, and 75 per cent of observations are above, is the 25th percentile.

¹⁵ Note that Figure 3 uses observation periods of six-months and the VDO level shown is as-of the observation date, rather than when the VDO level was updated.

¹⁶ Figures for all other distribution areas can be found in the Appendix.

¹⁷ For a list of assumptions used in the calculation of an annual bill, see Appendix.

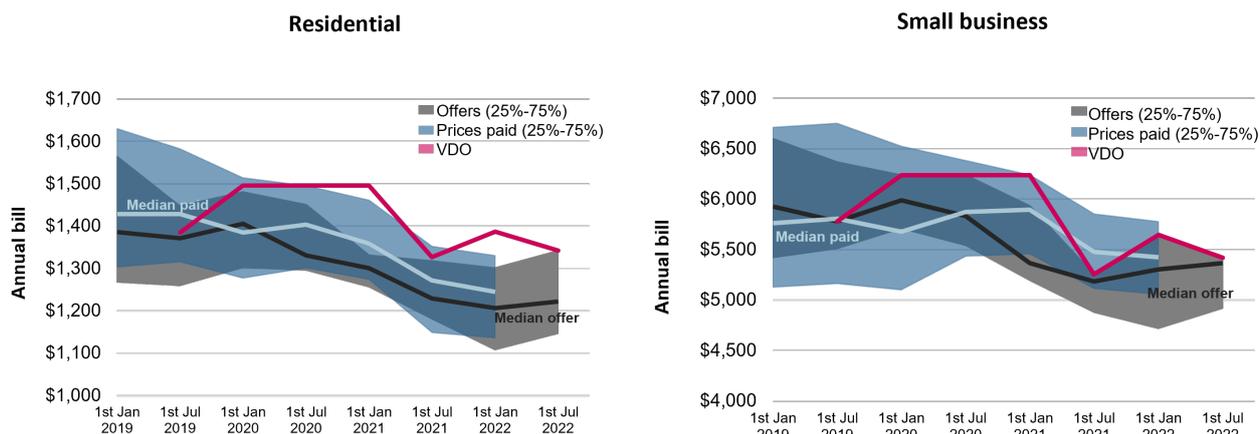
¹⁸ Correlation refers to the co-movement of trends, rather than a comparison of absolute levels. The correlation coefficient between median offers and median prices paid varies between 0.86 and 0.95 in the residential electricity market and 0.53 and 0.85 for the small business electricity market, depending on the distribution area (excluding AusNet).

¹⁹ For example, offer search frequency.

²⁰ Search frictions are anything that inhibits a consumer's ability to search the market. See: Armstrong, Vickers, and Zhou (2009).

²¹ Consumers have or face various barriers when searching for offers, which is additionally impacted by consumers' different levels of knowledge and understanding of energy offers.

Figure 3: Annual electricity offer and price paid - median and interquartile range – Jemena



However, while electricity offer prices are a reasonable lead indicator of prices paid, there are some nuanced differences between the residential and small business electricity markets. First, the 25th percentile of residential electricity prices paid, the point defining the upper bound of the lowest prices paid quartile, sits near the 25th percentile of offers, and often times drops below this threshold. This means that residential electricity customers tend to favour cheaper energy offers, which aligns with economic theory concerning consumer search and surveys highlighting consumer price preferences.²²

In comparison, starting in mid-2020, the 25th percentile of small business offers and prices paid moved apart, suggesting that small businesses were less able to search for the cheapest electricity offers available since the beginning of Covid-19 restrictions.²³ AusNet is the exception, with small business customers continuing to select from the cheapest quartile of electricity offers.²⁴

Retail electricity offer dispersion: upward movement towards the Victorian Default Offer

Exploring electricity offer dispersion in more detail offers additional insights into current competition and market dynamics. Figure 4 shows the change in offer dispersion between January and September 2022 by counting the number of offers from small, medium and large retailers within \$50 bins. We again use Jemena as a representative distribution area, with the same chart for all other distribution areas available in the Appendix.

Initially focusing on the offer dispersion above the VDO price level is a useful starting point. Perhaps the most prominent dispersion characteristic across both residential and small business markets is the reduced level of electricity offers above the VDO. Top truncated dispersion is not an unexpected or surprising outcome, given the VDO function.²⁵ However, note there continues to be some offer activity above the VDO in most periods shown.

Looking at dispersion below the VDO is more complex. Between May and September 2022, residential electricity offer activity by small and medium retailers below the VDO has decreased. The extent of this decrease in activity can be clearly seen in the September 2022 panel of Figure 4, where large retailers are the most active retailer group under the VDO. This has also resulted in an absolute decrease in the cheapest offers in the market. More technically, there is now a thinner tail of offers on the left-hand-side of the residential electricity offer dispersion. That said, there remain a number of market offers below the current VDO.

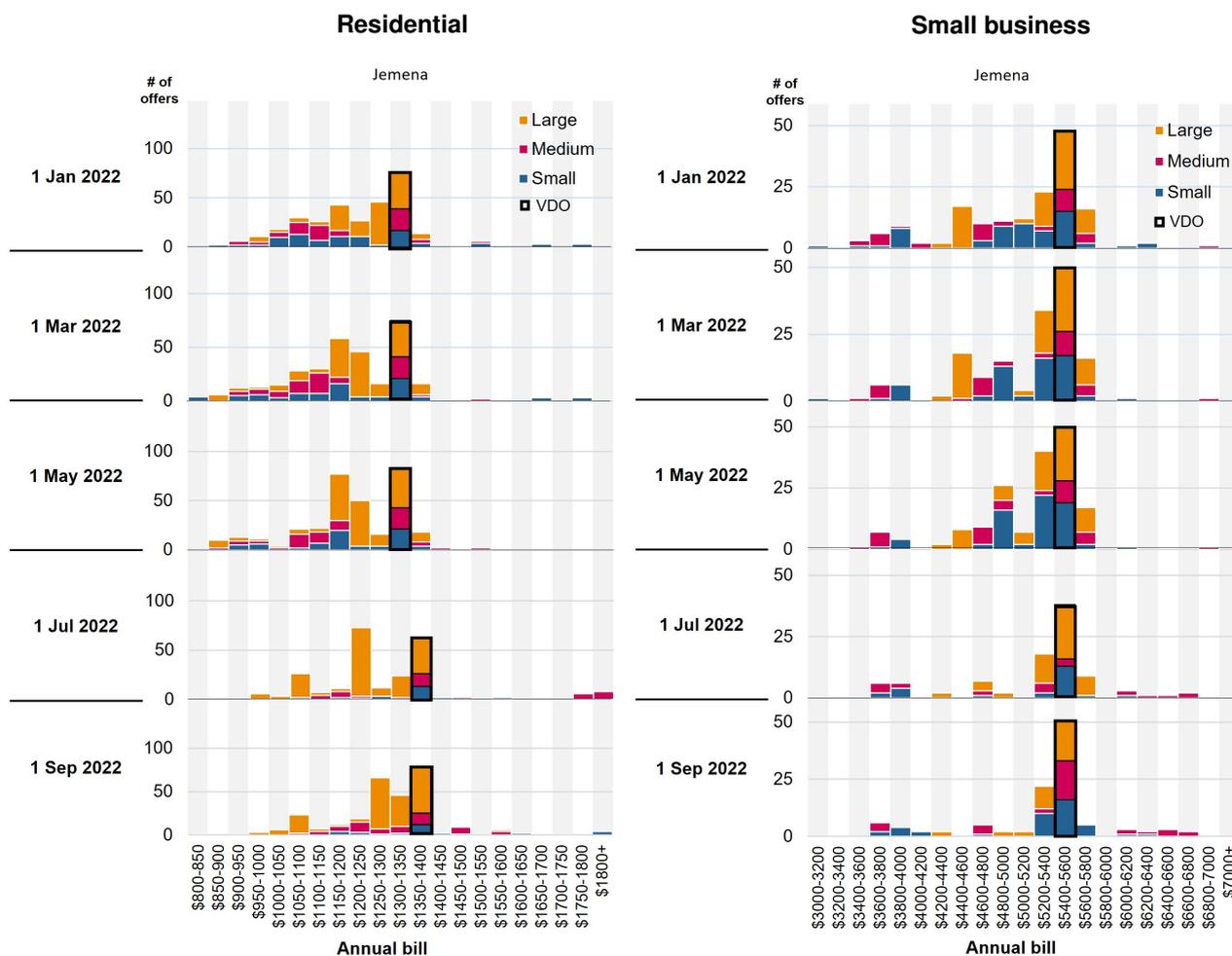
²² Energy Consumers Australia (ECA), Sentiment Survey: June 2021, U1 Group, Customer Experience Research Report, 2020 (multiple) from Large retailer preference article about consumer preferences for price.

²³ A State of Emergency was declared in Victoria on 16 March 2020 in response to the pandemic. This impacted energy usage patterns throughout 2020, first appearing in our data in mid-2020.

²⁴ The observed difference in small business outcomes in the AusNet distribution area might be driven by the types of small businesses (e.g., proportion of agriculture, industry and services), tariff requirements, and/or other factors.

²⁵ See the commission's Victorian Default Offer information at: www.esc.vic.gov.au/electricity-and-gas/prices-tariffs-and-benchmarks/victorian-default-offer

Figure 4: Retail electricity offer dispersion - Jemena



In contrast, while all retailer size groups are less active below the VDO in terms of offer counts between May and September 2022, small and medium retailers continue to offer the cheapest small business electricity offers. There is also a more lumpy and generally thinner tail of cheap offers comparing the small business electricity offer market in early-2022 to September 2022.

While some academic research has investigated the effect of the VDO on offer dispersion, pointing to retailer incentives to reduce lower priced offer activity,²⁶ there is little evidence that the more recent reduction in lower priced offer activity is specifically due to the VDO. Rather, it is more likely that the increases in wholesale electricity prices has been the cause of these outcomes (this is explored in more detail below).

Over the same May to September 2022 period, residential electricity offers have begun to bunch below the VDO. The bunching around the VDO is more pronounced in small business electricity offers.

This movement towards the VDO is also evident when looking at offers at a retailer level. Figure 5 (residential) and Figure 6 (small business) show the minimum, maximum and median electricity offers for active Victorian retailers on 1st March and 1st September 2022 in the Jemena distribution area. These same figures are available for all distribution areas in the Appendix.

In comparison to March, there is less variation in the median price of residential offers from retailers in September. This can be seen in the number of retailers with a median offer sitting near the VDO approximately doubling between 1st March and 1st September.²⁷ It should be noted that this trend does not hold as strongly for small business electricity offers, as the proportion of retailers' whose median offer sits near the VDO has remained similar comparing offers available on 1st March and 1st September.

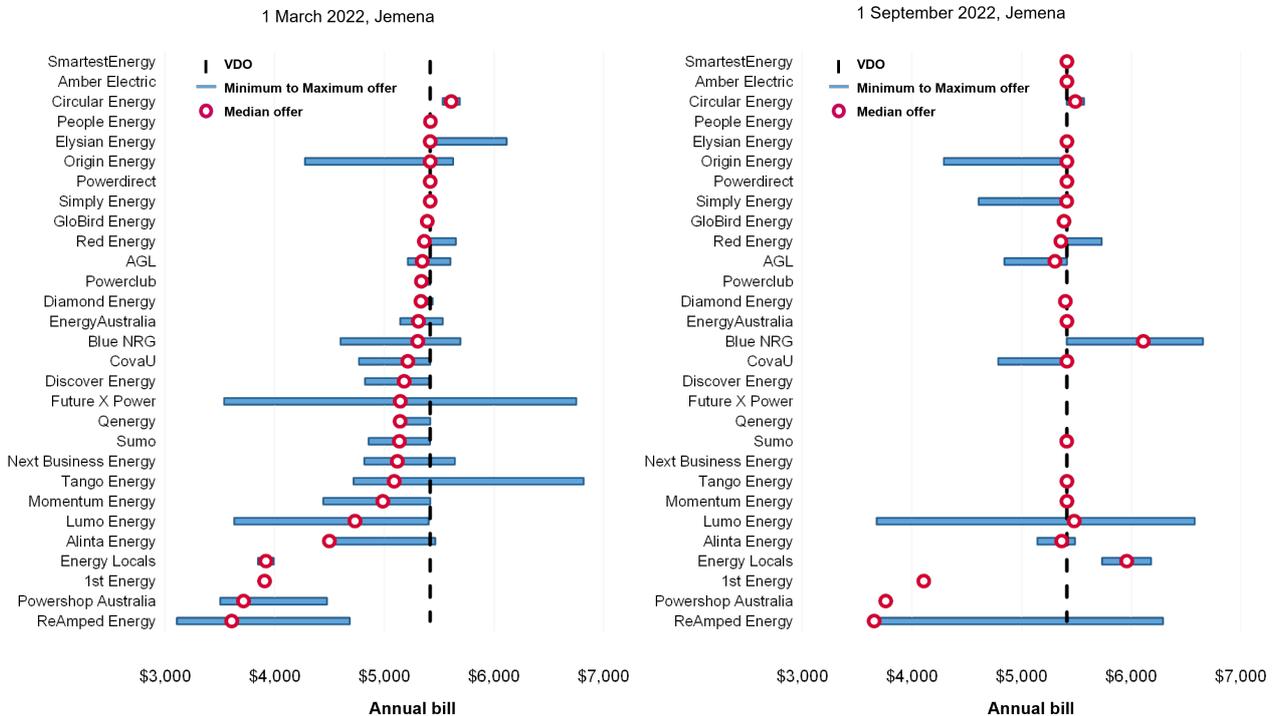
²⁶ Esplin et al. (2020)

²⁷ The number of retailers in the Jemena distribution with a median residential electricity offer within five per cent of the VDO increased from eight to 15 between 1st March and 1st September 2022. Other distribution areas have seen similar changes.

Figure 5: Residential electricity offers by retailer - Jemena



Figure 6: Small business electricity offers by retailer - Jemena



Quantifying the rise of offers towards the Victorian Default Offer

A more precise measurement of the recent electricity offer behaviour is potentially useful when considering the current state of competition and market efficiency. This analysis indicates that the movement of electricity offers towards the VDO is likely a function of external economic factors interacting with the VDO. These external factors are primarily affecting the electricity market via electricity wholesale prices, which is correlated with the rise of offers toward the VDO.

Figure 7 shows the per cent of offers strictly below the VDO in the Jemena distribution area, with equivalent figures for all other distribution areas in the Appendix. In the first quarter of 2021, nearly 80 per cent of all residential electricity offers were strictly below the VDO. Moreover, all retailer size groups kept between 70 and 90 per cent of offers strictly below the VDO through early-2022. As 2022 progressed, small and medium retailers reduced the number of offers below the VDO, with 32 and 51 per cent of their offers priced below the VDO as-of September 2022, respectively.

Figure 7: Proportion of electricity offers below the VDO – Jemena

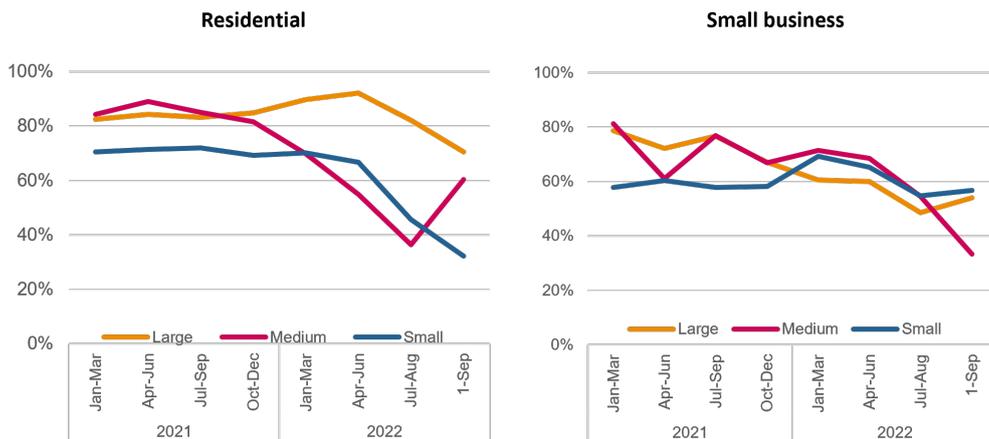
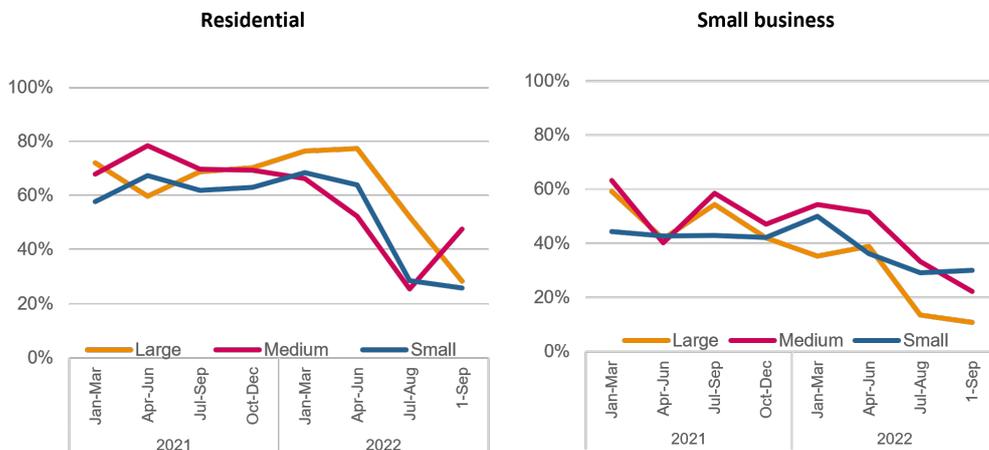


Figure 8: Proportion of electricity offers at least five per cent below the VDO – Jemena



²⁸ The five per cent below the VDO threshold is for analytical purposes only.

Figure 9: Wholesale gas prices in Victoria - Victorian Declared Wholesale Gas Market (DWGM)



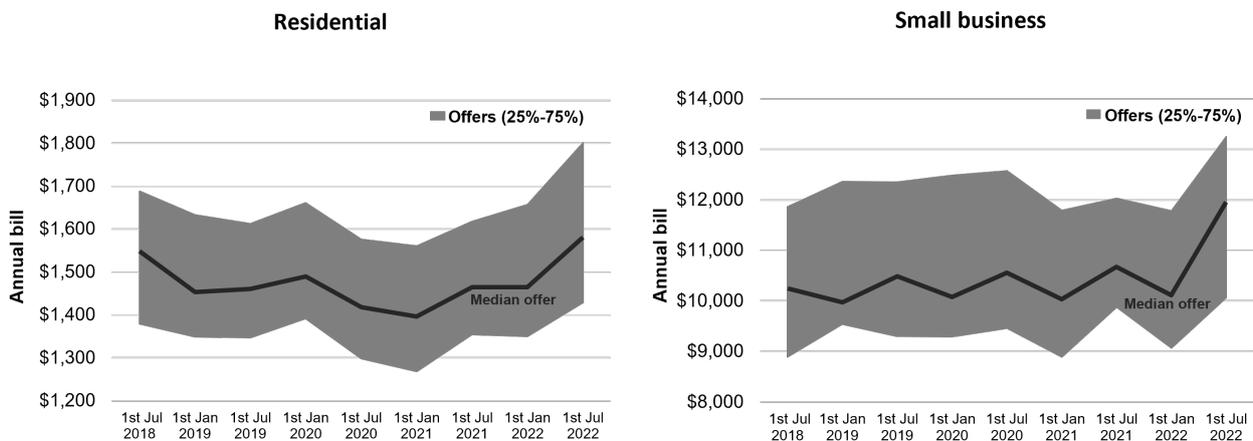
Gas

Retail gas prices increase due to wholesale gas costs

Over the 2021–22 financial year, the median gas offer in Victoria increased by 19 per cent for residential customers and 18 per cent for small business customers. This change is more nuanced when looking at changes over 2022, with the median gas offer in Victoria increasing by 16 per cent for residential customers and seven per cent for small business customers between January 2022 and September 2022.

These gas offer price increases have been driven by higher wholesale gas costs in 2022. Wholesale gas costs are a major component of end-user gas prices in Victoria. From 2018 to 2021, wholesale gas prices trended down. More recently, wholesale gas prices have increased due to multiple factors, summarised earlier.^{29,30} These wholesale gas price movements can be seen in Figure 9.

Figure 10: Annual gas offers - median and interquartile range – Australian Gas Networks



²⁹ Inquiry into the National Electricity Market Addendum to the May 2022 report, ACCC (2022).

³⁰ Wholesale Markets Quarterly Q2 2022 (April - June), Australian Energy Regulator, September 2022.

Gas offer prices trending up

Figure 10 examines gas offer prices³¹ in the Australian Gas Networks distribution area, using median and dispersion measures. Identical figures for each electricity distribution area can be found in the Appendix. As with the previous analysis of electricity offers, the 25-75th percentile³² band is used to provide a measure of dispersion for gas offer prices, with the median being the midpoint.

Median gas offer prices have generally been relatively flat or slightly lower between 2018 and early-2022, depending on the distribution area. This relatively flat trend ended in early-2022 with clear increases in all distribution areas between January and July 2022. Gas offer dispersion, as measured by the 25-75th percentile range, has not changed significantly between 2018 and mid-2022.

More offers from large retailers for residential consumers and less for small businesses

Looking at gas offer dispersion in more detail over time reveals interesting differences between residential and small business offer activity. Figure 11 shows the evolution of offer dispersion between January and September 2022 by counting the number of gas offers from small, medium and large retailers³³ within \$50 bins.

Figure 11: Gas electricity offer dispersion – Australian Gas Networks



³¹ Victorian Energy Compare (2022).

³² The 75th and 25th percentiles correspond to offers that are cheaper than 25 per cent and 75 per cent of all offers, respectively. For example, an offer in the 75th percentile is more expensive than 75 per cent of all offers.

³³ An energy retailers' size is determined by their market share in the relevant market (e.g. residential electricity). Large retailers (such as Origin Energy) each have a market share greater than five per cent, medium retailers (such as Alinta) each have a market share between one and five per cent, and small retailers are defined by having market shares less than one per cent.

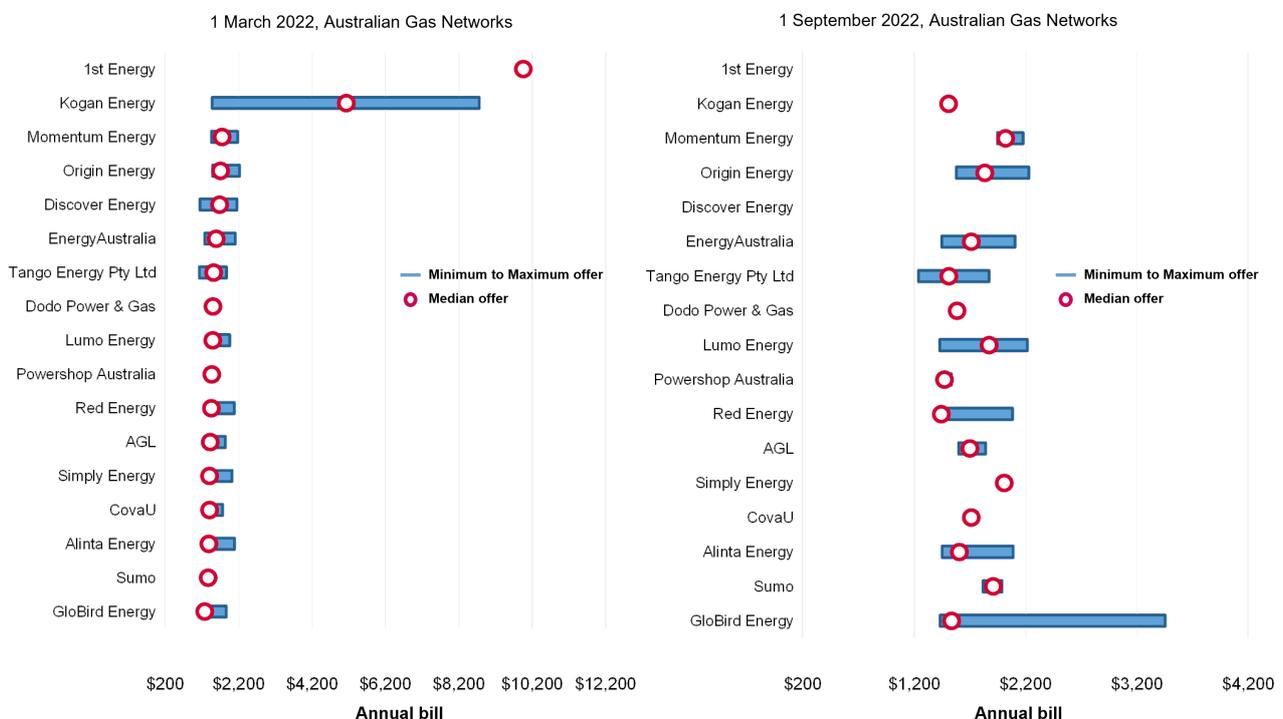
The gas offer dispersion trends over time are quite different to those seen with electricity offers. Moving from January to September 2022, there is less offer activity by all retailer size groups. However, the shape of the distribution remains broadly similar in that the left-hand-side tail is shorter and thicker for lower priced compared to a smoother and more extended right-hand-side tail for more costly offers. This also means that the median gas offer for all distribution areas sits closer to the left-hand-side of each dispersion chart. It should be noted that the increase in median gas offers for both residential and small business customers can also be seen through September 2022, as the entire distribution is shifting to the right.

Using the number of offers as a broad measure of retailer activity, large retailers are more active in the residential gas market compared to the small business market. In contrast, small and medium retailers are more active in the small business gas market compared to the residential market. The reasons behind this retailer behaviour could be linked to the customised nature of supplying small business gas customers, which may favour smaller retailers through bespoke offer characteristics.³⁴

Retail gas offer ranges by retailer

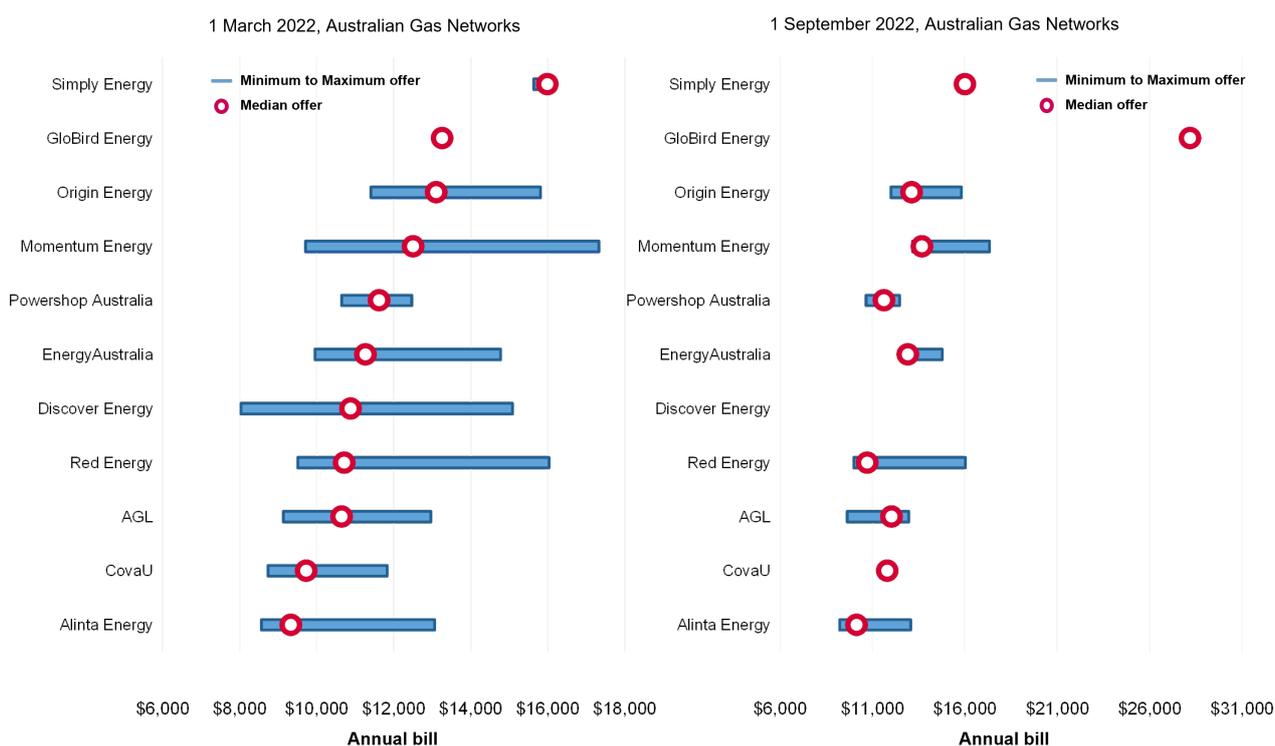
Figure 12 (residential) and Figure 13 (small business) show the minimum, maximum and median electricity offer as-of 1st March and 1st September 2022 for the Australian Gas Network distribution area. These same figures are available for all distribution areas in the Appendix. These figures show slightly less variation in the offers from within a retailer as of September 2022, but larger variance across different retailers' offers.

Figure 12: Residential gas offers by retailer – Australian Gas Networks



³⁴ For example, some small retailers offer bespoke solutions that require businesses to contact them directly to discuss their gas supply needs, rather than offering a direct online sign-up function.

Figure 13: Small business gas offers by retailer – Australian Gas Networks



Tracking initial consumer outcomes from energy market shocks

Consumers are beginning to see the consequences of shocks to energy markets over the 2021-22 financial year, and extending to September 2022. This article highlights some of the early impacts of prevailing economic and wholesale energy market conditions in 2022. The analysis of energy prices, competition and market efficiency presented in this article extends our understanding of current retail energy outcomes to better support consumers and industry.

With respect to energy prices, substantially higher wholesale electricity and gas costs in 2022 have increased energy retail costs. Thus, while median electricity offer prices increased one to two per cent in 2021-22, the U-shaped trend over the 2021-22 period points to the steeper price increases seen between January and September 2022. The median retail gas offer price increased over the 2021-22 period by 18 to 19 per cent, with larger increases seen in 2022, up to September.

Further exploring energy prices, we see a strong correlation between electricity offer prices and prices paid by consumers. This means that electricity offers appear to be a reasonable 6-12 month leading measure of prices paid.

Our analysis of changes in electricity offer dispersion between May and September 2022 reveals:

- A decrease in residential offer activity by small and medium retailers below the VDO, leaving large retailers as the primary market participants in this price range.
- A decrease in small business offer activity by large retailers below the VDO, leaving small and medium retailers as the primary market participants in this price range.
- Offers are moving toward the VDO.

Our analysis of changes in gas offer dispersion between May and September 2022 shows that:

- The absolute level of gas offer activity decreased in both residential and small business markets between May and September 2022, but the relative offer dispersion remained stable.
- Large retailers are more active in residential gas markets, in contrast to small business gas markets where small and medium retailers are generally more active.

Domestic and international wholesale energy markets have experienced significant shocks in 2022, thus far. Recent and current energy market conditions highlight the value of the commission's on-going analytical work in energy prices, competition and market efficiency. This work supports our market monitoring activities to ensure we are able to respond to issues in a timely manner to benefit the long-term interests of Victorian consumers.

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Energy in Victoria

- ▶ Compliance and enforcement
- ▶ Payment difficulty and disconnections
- ▶ Laws, codes, and guidelines
- ▶ Reports and reviews
- ▶ Market entry and exit

April - June 2022



April - June 2022

Compliance and enforcement



New Compliance and Enforcement priorities for 2022-23

The priorities:

- Remind energy businesses that Victorian consumer needs are a top priority
- Hold energy companies to account on important matters facing consumers
- Promote competition and transparency

\$70,000

Origin Energy paid in penalty notices for allegedly breaching protections for customers on life support

134

Wrongful disconnections (Self-reported by retailers)

\$189,718

Customer compensation paid for wrongful disconnections

Reports and price reviews



Energy Retail licence review

The commission decision will:

- reflect recent changes to the regulation of energy in Victoria
- improve consistency by removing variations in licencing conditions

↑ **5%**

VDO annual bill increase (July 2022 – June 2023)

🏠 **5%**

Electricity Generation Licences

3

issued



Market entry and exit



Retail electricity licences

2

issued

Laws, codes and guidelines



Statement of expectations for land access

22 principles to support respectful and effective interactions between transmission companies and landowners.





Compliance and enforcement activities

The commission actively pursued compliance and enforcement actions in Quarter 4 (1 April 2022 – 30 June 2022). This included:

- issuing 9 warning / education letters
- 9 actions to promote compliance, including requests for detailed information and requiring remediation plans, and
- providing 207 responses to customer enquiries.

In the Victorian Energy Market Report June 2022, we described how our new compliance and enforcement policy³⁵ was driving our risk-based approach to regulation. Our approach is to focus our resources on assisting compliance. This includes issuing guidelines about how the commission interprets regulatory obligations.

Enforcement Action

Two penalty notices issued by the commission were paid by Origin Energy Electricity Limited in August 2022. More than \$70,000 in penalties was paid by the retailer after it allegedly breached rules that protect Victorians relying on electricity for life support or who are facing bill stress. These two matters were related to enforcement action that was ongoing throughout Quarter 4 2021–22.

The commission also accepted four enforceable undertakings in early August from AGL Sales Pty Ltd, EnergyAustralia Pty Ltd, Red Energy Pty Ltd and Lumo Energy Australia Pty Ltd. The commission accepted the undertaking from AGL Sales Pty Ltd following allegations it failed to comply with rules in place to protect customers facing bill stress, and disconnected customers wrongfully. Enforceable undertakings were accepted from EnergyAustralia Pty Ltd, Red Energy Pty Ltd and Lumo Energy Australia Pty Ltd following allegations they failed to obtain explicit informed consent from customers before signing them up to energy contracts.

Publication of guidelines

Our commitment is to continue to provide accessible information and guidelines to both industry and consumers to assist compliance and enhance the ability of consumers to confidently engage in the energy market and with their energy providers by understanding their rights and the protections available to them.

We published and updated five guidelines³⁶ on our website in the first half of 2022.

The commission will issue additional guidelines or update existing guidelines to further assist compliance in the areas identified in our compliance and enforcement priorities for 2022–23. This includes a review of our guidance for retailers dealing with customers in payment difficulties following our better practice program as part of the payment difficulty framework implementation review.

Proactive compliance programs

Another way we assist compliance is via proactive monitoring programs³⁷. Proactive regulatory compliance projects involve several steps:

- problem nomination and definition
- determining how to measure impact
- developing solutions and interventions
- implementation
- project closure with an allowance for long-term monitoring.

Best offer messaging compliance program

The best offer obligations were introduced in 2019 as part of major reforms to help customers navigate the energy retail market.

They promote transparency in the market by keeping customers informed of whether they could access a better offer from their retailer. This includes how much money could be saved by switching to a better offer.

We started a proactive compliance monitoring project focused on best offer obligations in April 2022.

We requested information from 17 retailers, who collectively provide retail services to most Victorian residential energy consumers, about their compliance with certain billing obligations outlined in clauses 108–111 of the Energy Retail Code of Practice (the best offer obligations).

³⁵ <https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-and-policies/compliance-and-enforcement-policy>

³⁶ <https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-and-policies/energy-retail-code-practicetabs-container4>

³⁷ <https://www.esc.vic.gov.au/electricity-and-gas/market-performance-and-reporting/electricity-and-gas-compliance-activities>

These obligations require energy retailers to regularly display information on customers' bills telling them whether or not they are receiving their retailer's best offer.

We have identified a variety of potentially concerning issues with the way that certain retailers have calculated best offers; the prominence and placement of best offers on bills; and the frequency that these messages appear on customers' bills. Analysis is still underway.

We will not hesitate to take action if our compliance monitoring program identifies that licensees are not meeting the best offer obligations (in line with our compliance and enforcement policy). This could include:

- publication of a guideline or better practice examples
- developing and working through remediation plans with retailers
- industry-wide engagement and education
- potential enforcement action where serious contraventions are identified.

Billing accuracy was a compliance and enforcement priority in 2021–22 and best offer messaging continues to be a priority for 2022–23 as we progress through the latter stages of our monitoring program. We will provide further updates as we work to publish our findings and responses throughout the 2022–23 financial year.

New compliance and enforcement priorities for 2022-23

We have released our 2022–23 energy compliance and enforcement priorities, warning energy businesses that they must put Victorian consumer needs and protections first or face potential regulatory action.

The rights and protections of consumers are central to our energy compliance and enforcement priorities. The priorities also play an important role in promoting transparency and competition in the Victorian energy market for the long-term interests of consumers.

Our compliance and enforcement priorities hold energy companies to account by ensuring they adhere to protections on important matters facing consumers such as wrongful disconnections, bill stress, and switching energy contracts or retailers with confidence.

Acting to protect consumers facing vulnerability and obtain customers' consent

When the commission identifies potential breaches of the energy rules by businesses, we act to protect customers, foster trust in the market and deter future non-compliance. This includes issuing warnings and working with retailers to resolve issues that can cause consumer harm.

We assisted a caravan park with issues involving partial non-compliance of its residents' electricity bills. The concern was that customers' bills did not contain all the information that is required under the commission's Energy Retail Code of Practice. Our investigation also found that the caravan park was charging some residents more than the maximum price for embedded network customers, being the Victorian Default Offer.

We worked with the caravan park manager to amend the structure of its bill template to facilitate compliance and assisted the caravan park in remediating incorrect charges and rectifying errors so that residents were not charged above the maximum price set by Victorian Default Offer.

We also used our regulatory tools to work with AGL following a consumer referral we received from the Consumer Policy Research Centre. A customer complained that they had received a payment plan cancellation letter one week after they had established a payment plan and applied for a Utility Relief Grant. Although the information provided by AGL showed it had complied with its obligations under Victorian energy laws, it had not warned the consumer that they may receive a letter containing conflicting information. In response to this incident, AGL has implemented processes and training to decrease the risk of this issue occurring in the future. This case study illustrates the importance of our work in securing consumer-focused outcomes with energy retailers.

Monitoring price change notifications

The Energy Retail Code of Practice outlines how energy retailers must notify customers about any upcoming changes to their pricing.

The current climate in the energy market has created uncertainty for consumers and we consider that receiving clear information about how their energy plans are changing empowers consumers to engage in the energy market. Therefore, we have been monitoring the behaviour of retailers and examining messaging sent to their customers during this price change period.

We wrote to energy retailers in July, reminding them of key obligations in the Energy Retail Code of Practice in advance of expected price changes. The relevant obligations are designed to ensure customers receive helpful and accurate information, and support during this time.

We requested sample bill change alerts from 11 retailers and obtained bill change alerts from consumers for a further seven retailers. We are reviewing these notifications to confirm that customers have received the required information and will address any issues identified in accordance with our compliance and enforcement policy.

Incorrect bills

Earlier this year, Blue NRG identified that its billing system has not been billing customers on 'time of use' tariffs according to the correct time zone. Its products were offered in local time, but Blue NRG had been billing customers using Australian Eastern Standard Time (AEST). This resulted in several intervals of the day being charged at the incorrect rate during daylight savings time. As a consequence, 1,495 customers were undercharged or overcharged including five customers who were receiving the Victorian Default Offer. In some cases, this issue had occurred for several years.

We worked with Blue NRG throughout its remediation of this issue. Blue NRG repaid overcharged amounts (totaling \$37,582.94) to customers and decided not to recover any undercharged amounts. It also rectified the issue in its billing system so that it now can bill customers according to the correct time zone.

We take this opportunity to remind all retailers of their obligation to ensure customers are billed accurately and that customers receiving the Victorian Default Offer are billed in accordance with the commission's Victorian Default Offer determinations. As specified in our recent Victorian Default Offer 2022–23 Final Decision,³⁸ the time period windows relevant to the two-part time of use Victorian Default Offer are in local time, therefore retailers may be required to adjust any meter data that is provided in AEST in order to correctly bill customers. This example demonstrates that the commission will take prompt action to remediate customers who have been billed incorrectly.

³⁸ <https://www.esc.vic.gov.au/electricity-and-gas/prices-tariffs-and-benchmarks/victorian-default-offer/victorian-default-offer-price-review-2022-23>

Priorities for 2022-23

Compliance and enforcement in energy



Wrongful disconnections

As electricity and gas are essential services, consumers should only ever be disconnected by an energy retailer as a last resort.



Explicit informed consent

Explicit informed consent must be obtained for certain transactions and particularly for new contract formation. We have zero tolerance for unethical or fraudulent conduct.



Payment difficulty framework

Our framework ensures that energy retailers provide assistance to customers who may be experiencing difficulty paying their bills.



Best offer messages

We ensure that retailers are informing customers about whether they are on their best offer when purchasing energy.



Embedded networks' fees and charges

We monitor embedded network operators' fees and charges to ensure that they are accurate and do not exceed the maximum set by the Victorian Default Offer.



Guaranteed Service Level compensation payments

We ensure distributors are compensating consumers when guaranteed service levels are not met.



Protecting customers experiencing vulnerability

Our enduring priority is to help all Victorians access essential services, especially those who are affected by family violence or rely on energy for life support.



Disconnections

Disconnections for non-payment

A retailer arranging the disconnection of a small customer because of non-payment should only happen as a last resort, where all other options have been explored with the customer. Disconnection cannot be used by a retailer as a debt collection tool.

Following an increase in monthly average disconnections for non-payment between January and March 2022, we observed a decrease in the monthly average disconnections for non-payment between April and June 2022 (see Table 1 and Figure 1 in the Appendix).

We continue to closely monitor disconnection trends and engage directly with energy businesses where there are concerns relating to retailers' disconnection processes.

It is important for customers to engage with their retailers to receive payment assistance if they experience difficulties in paying their bills, and for retailers to work with their customers to help manage their energy debt.

Customers who are receiving assistance under the payment difficulty framework, such as being on a payment arrangement with their retailer, and who are complying with the terms and conditions of that assistance, are protected from being disconnected.

Compensation for customers who may have been wrongfully disconnected

Retailers must report any potential or actual wrongful disconnection to the commission. A wrongful disconnection occurs when a customer is disconnected by a retailer in situations where the retailer does not follow the proper legal processes set out in the Electricity Industry Act 2000, Gas Industry Act 2001 and commission's Energy Retail Code of Practice. The commission may also further investigate reported breaches and consider taking enforcement action.

Eight retailers self-reported that they may have wrongfully disconnected 134 customers between 1 April 2022 and 30 June 2022 (see Table 2 in the Appendix). Retailers made total compensation payments of \$189,718 (see Table 3 in the Appendix).

A penalty notice was issued to Origin Energy Electricity Limited in July 2022 for \$36,348. The penalty notice was issued after investigations were conducted where one customer was allegedly wrongfully disconnected on 1 December 2021. Origin self-reported that it did not use its best endeavours to contact the affected customer in line with clause 111A of the Energy Retail Code.

A second penalty notice issued to Origin Energy Electricity Limited related to the provision of life support protections. Evidence gathered by the commission showed that Origin Energy Electricity Limited allegedly failed to:

- register a life support customer's premises appropriately
- provide the customer with required information
- inform the customer's electricity distributor of the life support equipment within the required timeframes.

Origin Energy paid the penalty notices in August 2022.

Payment difficulty framework implementation review – better practice program

Phase 2 of the payment difficulty framework implementation review focused on the following priority areas for improvement:

- ensuring customer outcomes are consistent between and within retailers.
- improving the level and quality of retailer interactions with customers.

We delivered three workshops with industry, community and government stakeholder representatives to address these areas. The workshops were designed to highlight good practice and identify improvement opportunities within priority areas.

Stakeholders engaged strongly with the workshops, identifying several examples of better practice and good customer outcomes to be implemented more widely in the retail energy sector. Discussion focused on practical actions that could be readily implemented. This focus proved effective as stakeholders were quick to make changes after learning about different approaches. One stakeholder shared that they had changed their approach to communication within two weeks after attending the first workshop and experienced improved outcomes.

We will continue to monitor and provide guidance on retailer practices in implementing the framework.

Fewer energy customers are receiving assistance, but their average arrears have increased

At the end of June 2022, 59,606 electricity and 44,656 gas residential customers were receiving tailored assistance from their retailer to help pay their bills (see Table 2 in the Appendix). These figures are lower than the monthly average during 2020-21 (see Figure 2 in the Appendix).

The average arrears of residential customers receiving tailored assistance at the end of June 2022, was generally higher than the monthly average during 2020-21, especially for customers who cannot afford to pay their ongoing usage (see Figure 6, 7 and Table 3 in the Appendix).



Laws, codes of practice and guidelines

Clarifying obligations for Victorian electricity distribution businesses

The commission has made a new Electricity Distribution Code of Practice to help energy businesses better understand and meet their obligations to Victorian consumers.

The code of practice applies to distributors, retailers, and generators. It ensures licensed electricity distribution businesses connect and supply customers on Victoria's electricity distribution networks in a safe, efficient, and reliable way.

The changes follow last year's amendments to the Essential Services Commission Act 2001. This means that many of the existing rules are now subject to the full suite of enforcement tools given to the commission last year.

The existing code will be replaced with a new Electricity Distribution Code of Practice, effective on 1 October 2022.

The transition to a new Electricity Distribution Code of Practice also involved repealing outdated guidelines and updating electricity distribution licences.

Reporting obligations will be updated to align with the new Electricity Distribution Code of Practice later this year.

Statement of expectations to facilitate better engagement around land access for transmission projects

The Electricity transmission company land access statement of expectations came into effect on 1 June 2022. The statement recognises landowners and transmission companies as critical partners in delivering transmission infrastructure projects.

The statement details 22 principles and provides examples to support respectful and effective interactions between transmission companies and landowners navigating land access arrangements.

Transmission companies accessing land for transmission infrastructure projects are required to report monthly to the commission on their performance against the statement of expectations. AusNet Transmission Group Pty Ltd have since provided reports to the commission on their performance against the statement relating to land access for the Western Renewables Link project, which we are monitoring closely. The reports will also be made publicly available on our website.³⁹

The statement of expectations will act as an interim measure while the commission develops an enforceable code of practice related to land access.

Code of conduct to protect consumers now in force for Victorian Energy Upgrades program participants

From 1 July 2022, every business and person involved in engaging with consumers or responsible for creating energy efficiency certificates under the Victorian Energy Upgrades program must follow an enforceable code of conduct.

The Victorian Energy Upgrades code of conduct:

- increases consumer protections
- boosts operator compliance with the program rules
- places consumer welfare and customer service at the centre of how businesses operating under the program engage with Victorians

The code ensures the protection of consumer rights under the Victorian Energy Upgrades program with minimum standards set for retailers in the areas of:

- marketing and sales of the program
- contracts
- communication with customers
- installation
- after sale follow-up
- customer dispute resolution aligned to Australian Consumer Law.

³⁹ www.esc.vic.gov.au/electricity-and-gas/electricity-and-gas-market-performance-and-reporting



Energy retail licence review

On 31 January 2022, the commission wrote to energy retail licensees with a proposal to vary retail licences. The changes proposed to the licences were mostly administrative and proposed for one of three reasons:

- to reflect recent changes to the regulation of energy in Victoria, including the passing of the Essential Services Commission (Compliance and Enforcement Powers) Amendment Bill 2021, which requires consequential changes to Victorian energy retail licences
- to improve consistency by removing variation that has arisen in licence conditions by reason of there being amendments to standard licence conditions over time that have not been applied to existing licensees
- to remove licence conditions that are no longer required or to promote consistency (where appropriate).

On 12 July 2022, the commission published its final decision on the retail licence review. Variations to energy retail licences took effect from 12 September 2022.

Victorian Default Offer

In May 2022, the commission set the Victorian Default Offer (VDO) prices to apply from 1 July 2022 to 30 June 2023. Average annual bills for VDO customers will increase by about five per cent for residential and small business customers.

Forecast wholesale electricity prices are driving an underlying increase. Rising wholesale prices for electricity account for almost two thirds of the increase in the default offer for households.

Increase in maximum discount for paying energy bills on time

On 23 May 2022, the commission increased the amount energy retailers can charge Victorian customers who do not make their payment on time to 5.71 per cent applying to new contracts commenced on or after 1 July 2022.

The cap applies to 'pay-on-time' discounts that are conditional upon the customer paying a bill on or before the pay-by date. Limiting the amount paid for missing a deadline helps reduce bill shock for households and small business.



Licensing

The commission has a function to licence energy businesses to operate in the Victorian energy market.

Between April and June 2022, we received two new electricity retail licence applications and two new electricity generation and sale licence applications.

Since 1 April 2022, we issued three electricity generation licences, two retail licences and varied one gas distribution licence:

- Mortlake South Wind Farm Pty Ltd – electricity generation licence for a 157.5MW wind farm that will produce enough electricity to power approximately 117,000 households.
- Berrybank 2 Asset Pty Ltd – electricity generation licence for the 109.2MW second stage of the Berrybank Wind Farm which will produce electricity for about 82,000 homes.
- Hazelwood BESS Project Co Pty Ltd – electricity generation licence for the 150MW/150MWh battery energy storage system in Hazelwood. The battery has the capacity to store energy equivalent to an hour of generation from the rooftop solar systems of about 30,000 Victorian homes.
- Hanwha Energy Retail Australia Pty Ltd trading as Nectr – electricity retail licence to sell to small, medium and large customers.
- Tilt Renewables Retail Pty Ltd – electricity retail licence to sell to medium and large customers.
- Ausnet Gas Services Pty Ltd – gas distribution licence was varied to include two new postcodes.

Market exit

Weston Energy

On 24 May 2022, the commission initiated the Retailer of Last Resort process to automatically transfer customers from failed gas retailer Weston Energy Pty Ltd (Weston Energy) to other retailers in Victoria. Weston Energy was suspended from the Victorian Declared Wholesale Gas Market by the Australian Energy Market Operator (AEMO) and its registration as a market participant was revoked for failing to comply with requirements under the National Gas Rules. As a result, Weston Energy could no longer sell gas to customers in Victoria and approximately 184 large and medium-sized customers with approximately 1,140 sites were affected. On 1 July 2022, the delegate of the commission decided to revoke Weston Energy's gas retail licence pursuant to section 38(3) of the Gas Industry Act and having regard to the commission's statutory objectives. The revocation was by agreement and took effect on 1 July 2022.

Macquarie Bank

On 11 July 2022, the delegate of the commission decided to revoke Macquarie Bank Limited's electricity retail licence by agreement, pursuant to section 29(3) of the Electricity Industry Act and having regard to the commission's statutory objectives. The revocation was at the request of Macquarie Bank Limited and will take effect from 30 September 2022.

Power Club

On 12 July 2022, the commission initiated the Retailer of Last Resort process to automatically transfer approximately 1,500 customers from failed electricity retailer Power Club Limited (Power Club) to other retailers in Victoria. Power Club was suspended from the National Electricity Market by the Australian Energy Market Operator and had its registration as a market participant suspended on 12 July 2022 for failing to comply with requirements under the National Electricity Rules. On 16 September 2022, the delegate of the commission decided to revoke Power Club's electricity retail licence pursuant to section 29(3) of the Electricity Industry Act and having regard to the commission's statutory objectives. The revocation was by agreement and took effect on 16 September 2022.

Elysian Energy

On 2 September 2022, the commission initiated the Retailer of Last Resort process to automatically

transfer approximately 4,900 Victorian customers from failed electricity retailer Elysian Energy Pty Ltd (Elysian Energy) to other retailers. Elysian Energy was suspended from the National Electricity Market by the Australian Energy Market Operator and had its registration as a market participant suspended on 2 September 2022 for failing to comply with requirements under the National Electricity Rules.

Regulatory sandboxing

Victoria's regulatory sandboxing framework for the energy market started on 1 June 2022. The new framework:

- enables innovators to trial new products and services in a controlled setting for a time-limited period
- helps inform future changes to the energy rules on a more permanent basis.

Trial waivers operate alongside licences and exemptions as a distinct authorisation category to enable entry into Victoria's energy market.

Trial Project Guideline

We released our final decision and Trial Project Guideline⁴⁰ to support the regulatory sandboxing framework on 29 June 2022. The guideline:

- outlines our approach to the framework
- provides information about the process and requirements
- describes how decisions on trial waiver applications will be made.

We also released supplementary information for trial waiver applications to assist applicants prepare for their application.

Energy Innovation Toolkit

The Australian Energy Regulator launched a new website on 11 August 2022 to support the establishment of a national regulatory sandboxing framework in the national energy market. The Energy Innovation Toolkit⁴¹ contains resources such as case studies, market maps and other information to help innovators navigate the regulatory frameworks relevant to their project.

The toolkit also includes an enquiry service that provides a centralised hub for innovators to submit enquiries and seek informal feedback specific to their trial project. It also has an online trial waiver application portal, which enables innovators to apply for a Victorian trial waiver.

⁴⁰ <https://www.esc.vic.gov.au/electricity-and-gas/licences-and-exemptions/regulatory-sandboxing>

⁴¹ <https://energyinnovationtoolkit.gov.au/>

Appendix 1:

- Energy in Victoria

Source: Figures 1 to 7 and Tables 1 to 3, Compliance and Performance Reporting Guideline (CPRG) data from retailers.

Table 1: Residential disconnections for non-payment by monthly averages⁴²

	Monthly Average 2018	Monthly average 2019	Monthly average 2020	Monthly average 2021	Period			
					Average per month Jul-Sep 2021	Average per month Oct-Dec 2021	Average per month Jan-Mar 2022	Average per month Apr-Jun 2022
Electricity	2,765	1,820	508	761	350	439	2,301	1,570
Gas	1,553	922	216	256	148	132	816	594

Table 2: Residential Tailored Assistance customers, as at 30 June 2022

	Electricity		Gas	
	Residential tailored assistance customers	% of residential electricity customers	Residential tailored assistance customers	% of residential gas customers
Can pay ongoing usage	40,003	1.4	29,390	1.4
Cannot pay ongoing usage	19,603	0.7	15,266	0.7
Total	59,606	2.2	44,656	2.1

Table 3: Average arrears of residential Tailored Assistance customers, as at 30 June 2022

	Electricity		Gas	
	Ave arrears of residential tailored assistance customers	% increase from 2020-21 monthly average	Ave arrears of residential tailored assistance customers	% increase from 2020-21 monthly average
Can pay ongoing usage	\$722	4%	\$524	-3%
Cannot pay ongoing usage	\$1,979	18%	\$1,469	16%
Total	\$1,135	10%	\$847	8%

⁴² The monthly average includes months where no disconnections occurred during the restriction periods of the coronavirus pandemic.

Table 4: Number of customers affected per self-reported wrongful disconnections⁴³

Total customers affected		
Retailer	Jan to Mar 2022	Apr to Jun 2022
AGL	-	3
Alinta Energy	2	-
Dodo	1	-
Elysian Energy	2	-
EnergyAustralia	8	2
Lumo Energy	1	1
Origin Energy	12	121
OVO Energy	3	-
Powershop Australia	1	1
Red Energy	3	1
Simply Energy	5	3
Tango Energy	-	2
Total	39	134

Table 5: Compensation paid in relation to self-reported wrongful disconnections⁴⁴

Total wrongful disconnection amount paid		
Retailer	Jan to Mar 2022	Apr to Jun 2022
AGL	-	\$2,528
Alinta Energy	\$167	-
Dodo	\$515	-
Elysian Energy	\$650	-
EnergyAustralia	\$12,539	\$1,093
Lumo Energy	\$488	\$717
Origin Energy	\$13,341	\$180,948
OVO Energy	\$629	-
Powershop Australia	\$45	\$35
Red Energy	\$2,218	\$88
Simply Energy	\$47,189	\$4,250
Tango Energy	-	\$60
Total	\$77,782	\$189,718

⁴³ This data represents the current figures as at 8 August 2022 for wrongful disconnection payments made to customers between April 2022 and June 2022. Figures may have changed for previous periods as a result of ongoing reporting by retailers in respect of prior periods and associated reconciliation of data. It excludes wrongful disconnections disputes referred to us by EWOV.

⁴⁴ This data represents the current figures as at 8 August 2022 for wrongful disconnection payments made to customers between April 2022 and June 2022. Figures may have changed for previous periods as a result of ongoing reporting by retailers in respect of prior periods and associated reconciliation of data. It excludes wrongful disconnections disputes referred to us by EWOV.

Figure 1: Residential disconnections for non-payment by month - 2021 and 2022

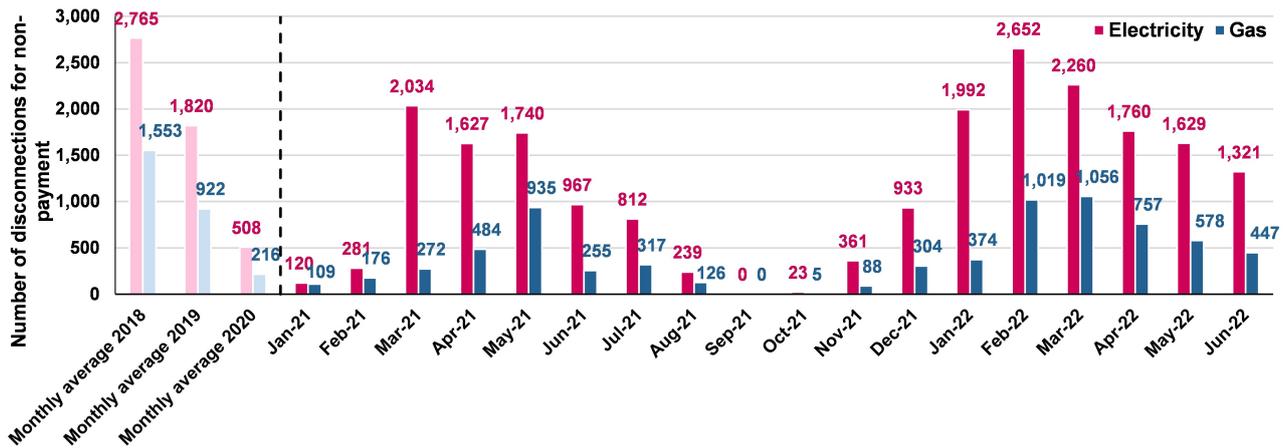


Figure 2: Residential customers receiving tailored assistance (total)

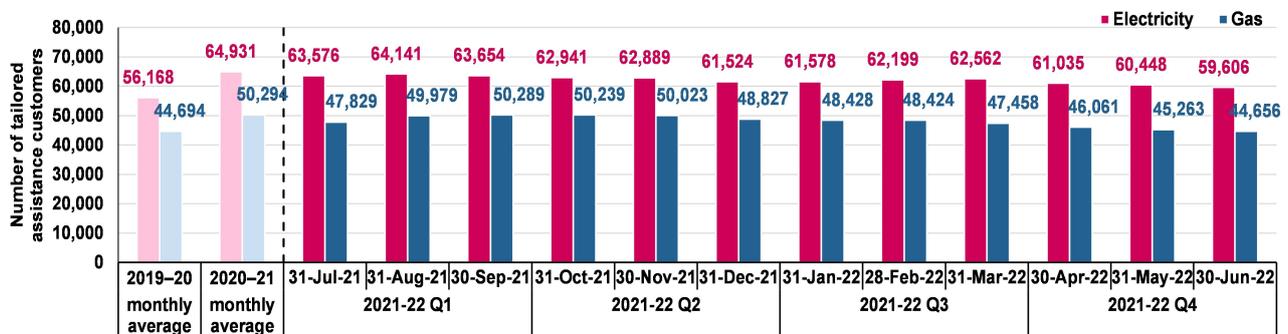


Figure 3: Residential customers receiving tailored assistance (can pay ongoing usage)

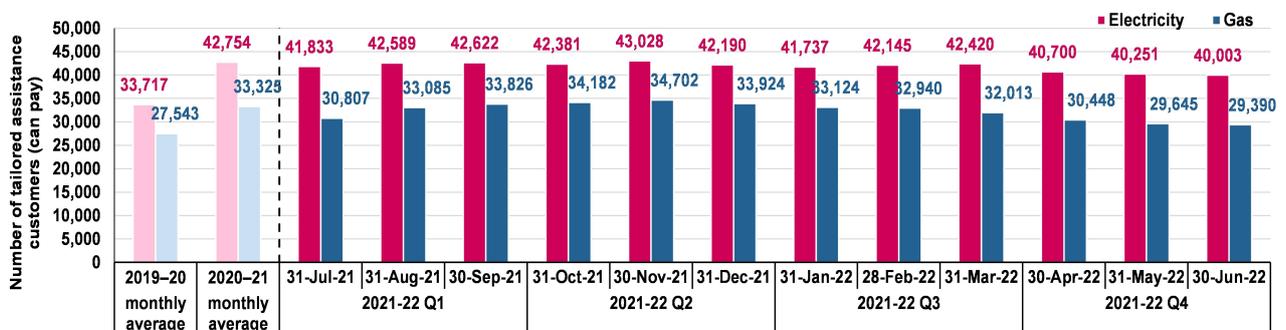


Figure 4: Residential customers receiving tailored assistance (cannot pay ongoing usage)

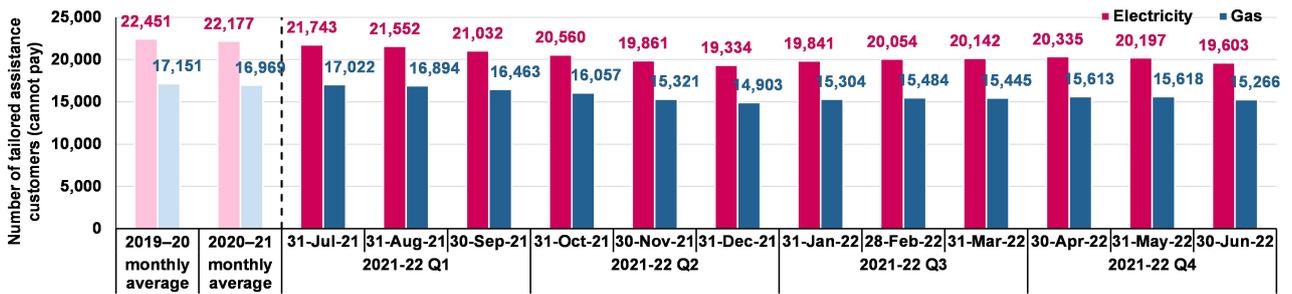


Figure 5: Average arrears for residential customers receiving tailored assistance (total)

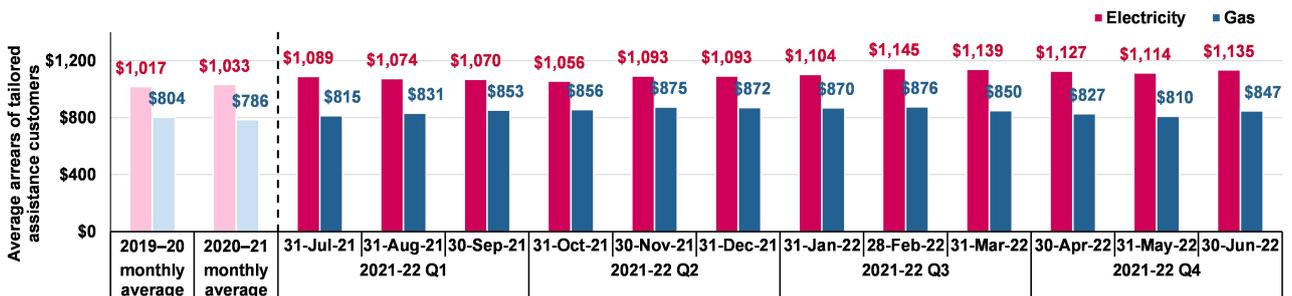


Figure 6: Average arrears for residential customers receiving tailored assistance (can pay ongoing usage)

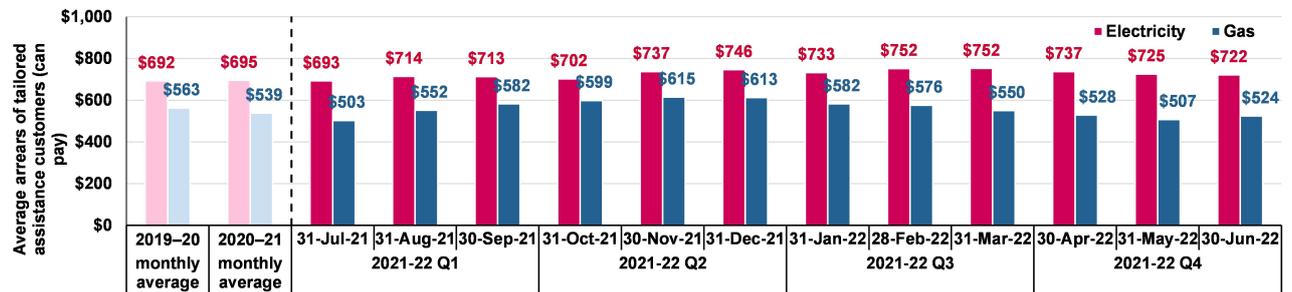
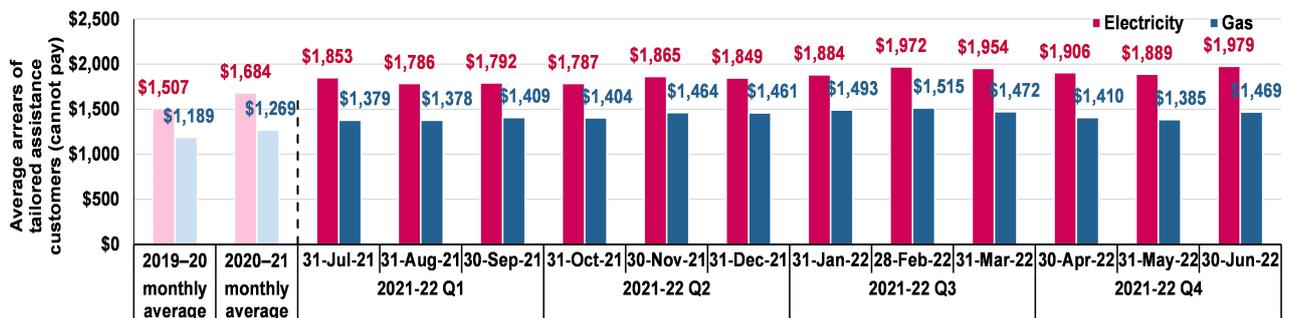


Figure 7: Average arrears for residential customers receiving tailored assistance (cannot pay ongoing usage)



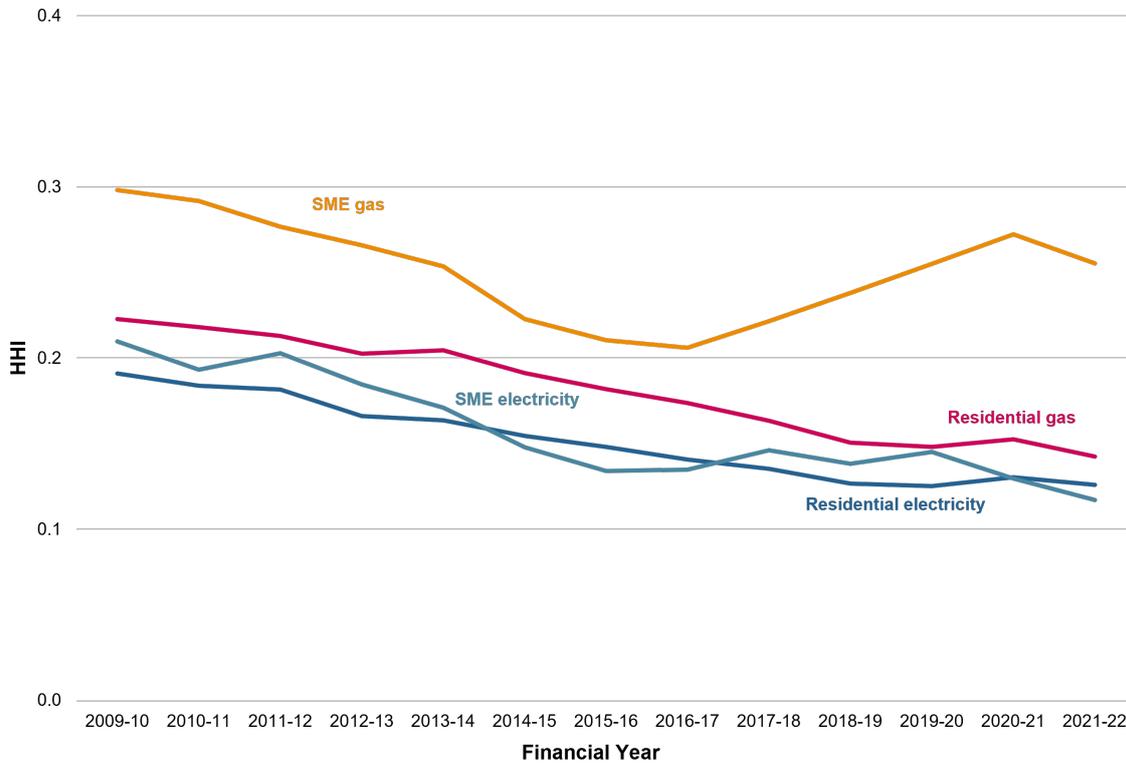
Appendix 2:

- Herfindahl-Hirschman index

Herfindahl-Hirschman Index

The Herfindahl-Hirschman Index (HHI) is calculated by summing the squared market shares of all market participants and takes a value between zero (absolute competition) and 10,000 (monopoly). HHI can also be reported on a zero to one scale by dividing by 10,000 – this approach is shown here. Generally, a market is defined as concentrated for values above 2,000-2,500 (0.2-0.25), with moderate concentration extending below this band to 1,000.⁴⁵

Figure 8: HHI index for Victorian retail energy, 2009-2022⁴⁶



⁴⁵ ACCC Merger guidelines (2008)

⁴⁶ Sources: CPRG.

Appendix 3:

- Prices by distribution zone

Energy prices, by distribution zone

The following section includes a set of figures that give an overview of the Victorian energy market across different distribution zones. These figures have been produced using three sets of data: Victoria Energy Compare offers data (2022); Retail electricity invoice data (2021); and CPRG data (2022) reported by retailers to the Essential Services commission. The retail electricity invoice data samples from a group of retailers who supply a combined 88 per cent of Victorian residential electricity consumers.

The following assumptions have been made to produce the figures presented in this section of the report.

- An annual bill includes 365 days of service, along with the following usage levels:
 - Residential electricity bills use 4,000 kWh, and small business electricity bills use 20,000 kWh. Both spread evenly across the entire year.
 - Residential gas bills use 54,400 MJ, and small business gas bills use 500,000 MJ. For both customer types, 48% of gas is used evenly across June to September, and 52% used evenly across October to May.
- Retailers size is defined by the following rules for each relevant market (residential electricity, residential gas, small business electricity, and small business gas):
 - Small: $\leq 1\%$ of market share.
 - Medium: $> 1\%$ and $< 5\%$ of market share.
 - Large: $\geq 5\%$ of market share.
- For the 'Median and interquartile range' charts, the sample of offers and prices paid at each date point are from the previous 6 month window for electricity. For gas, they are the previous 12 month window.
- For all other figures, the sample is offers available on Victorian Energy Compare for the given time frame in the figure.
- Where the Victorian Default Offer (VDO) is included, it is based on the fixed flat tariff VDO rates.
- Offer annual bills take no account of controlled load, and figures do not include offers with time of day tariffs.

Residential electricity

AusNet Services

Figure 9: Median and interquartile ranges of electricity offers and prices paid

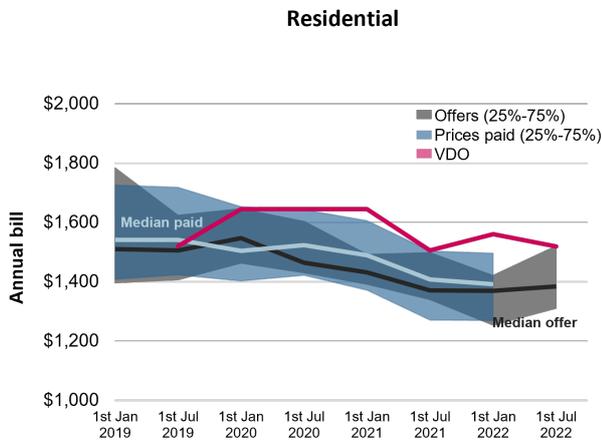


Figure 10: Median electricity offer by retailer size

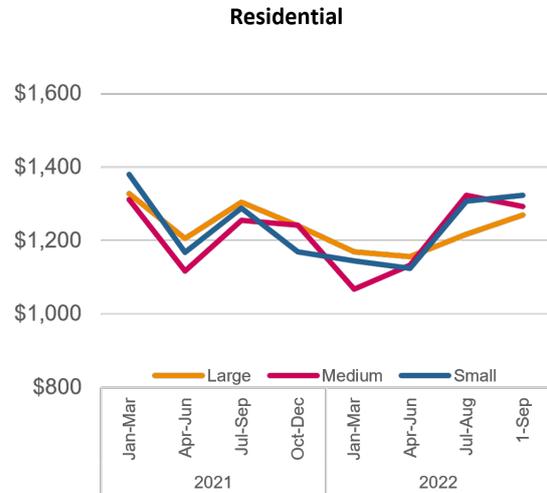


Figure 11: Proportion of electricity offers relative to the VDO

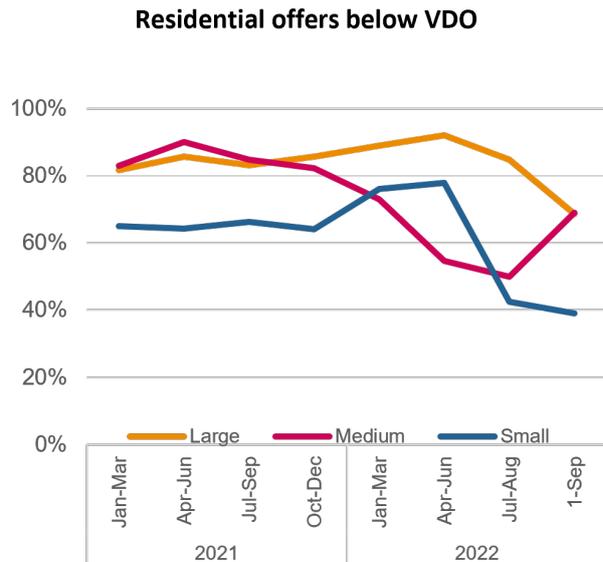
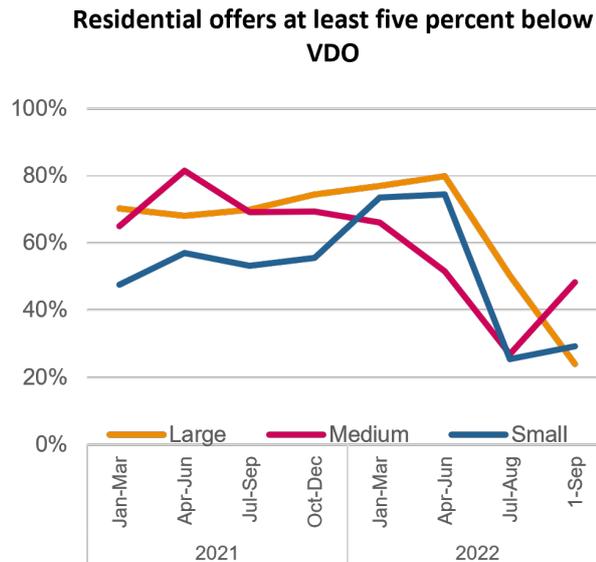


Figure 12: Minimum and maximum electricity offer by retailer, annual bill

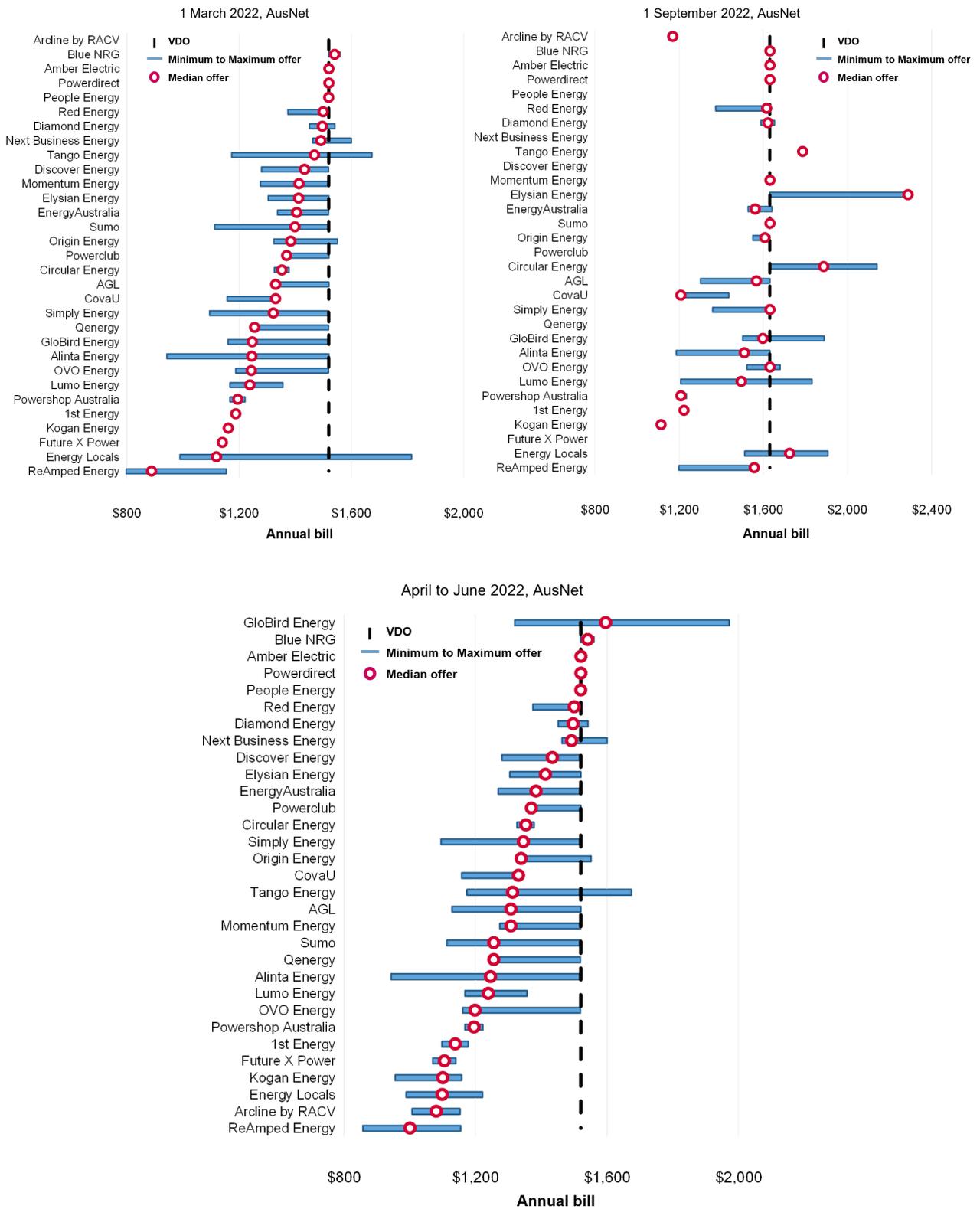
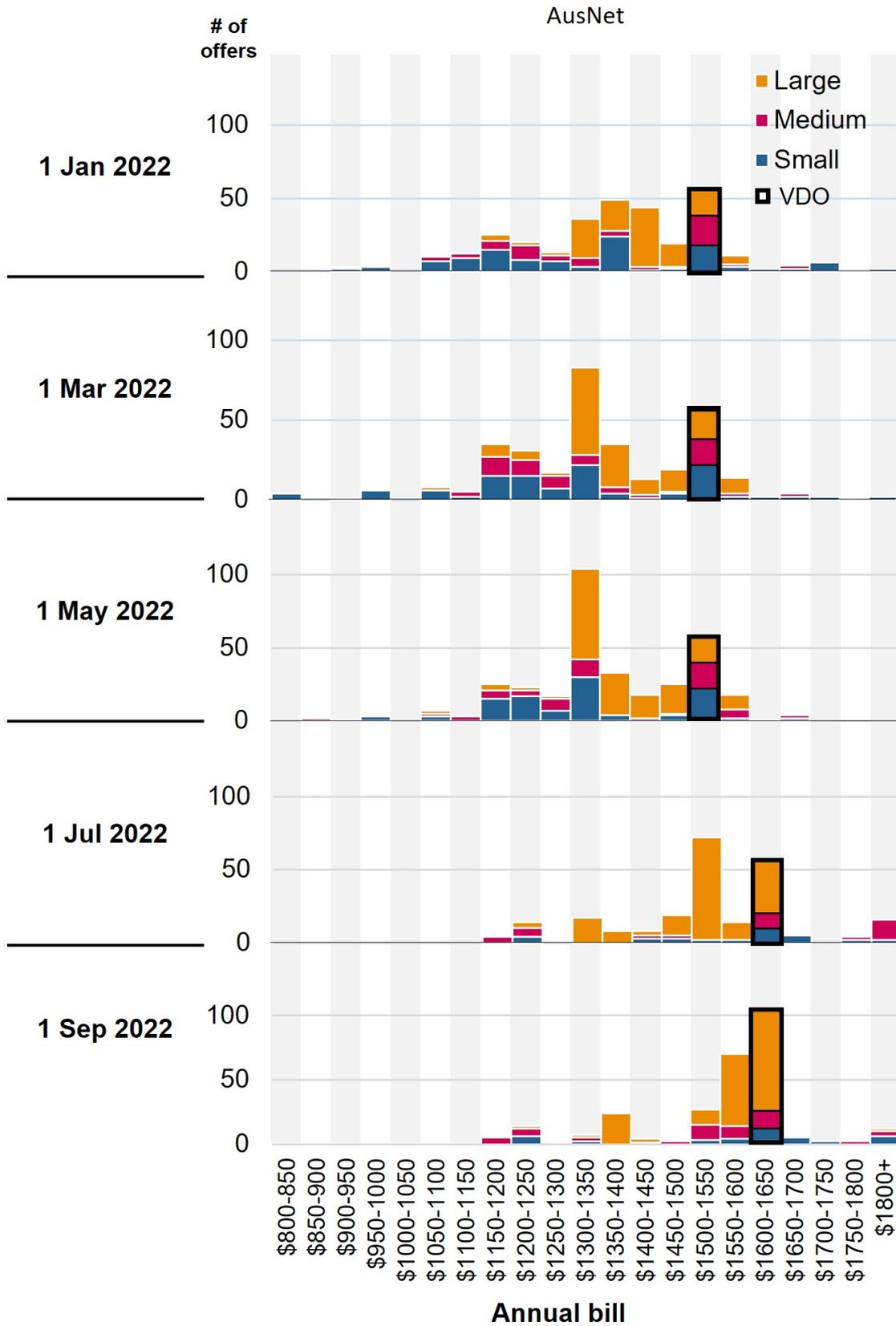


Figure 13: Residential electricity offers, annual bill distribution



Citipower

Figure 14: Median and interquartile ranges of electricity offers and prices paid

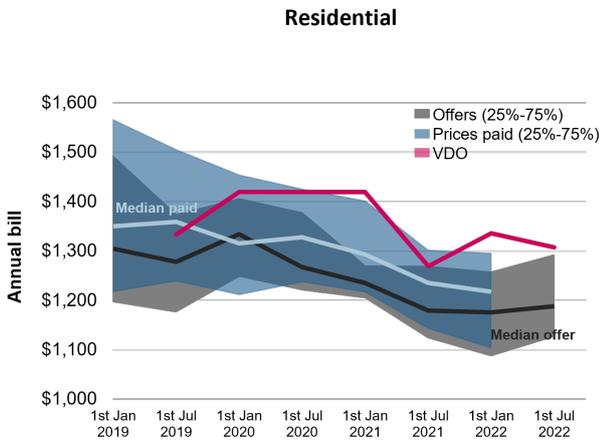


Figure 15: Median electricity offer by retailer size



Figure 16: Proportion of electricity offers relative to the VDO

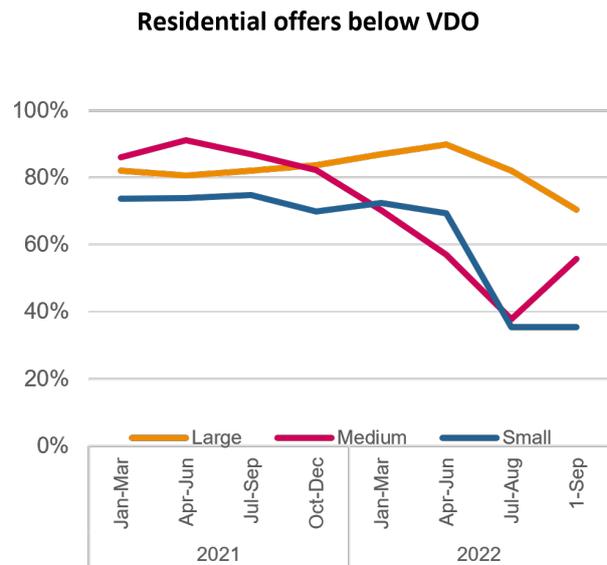
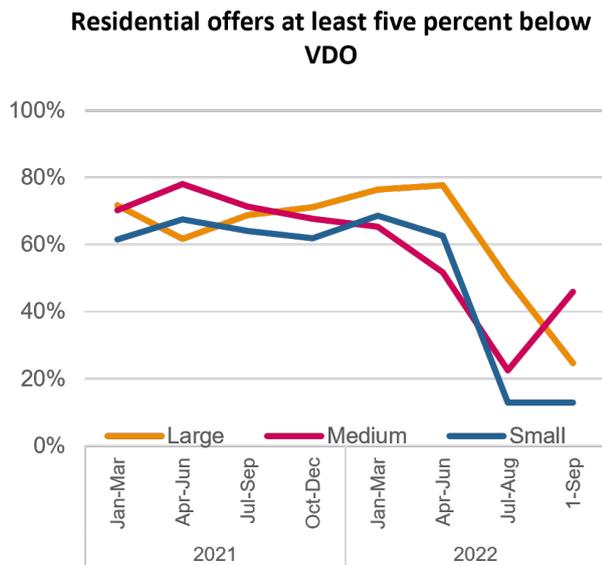


Figure 17: Minimum and maximum electricity offer by retailer, annual bill

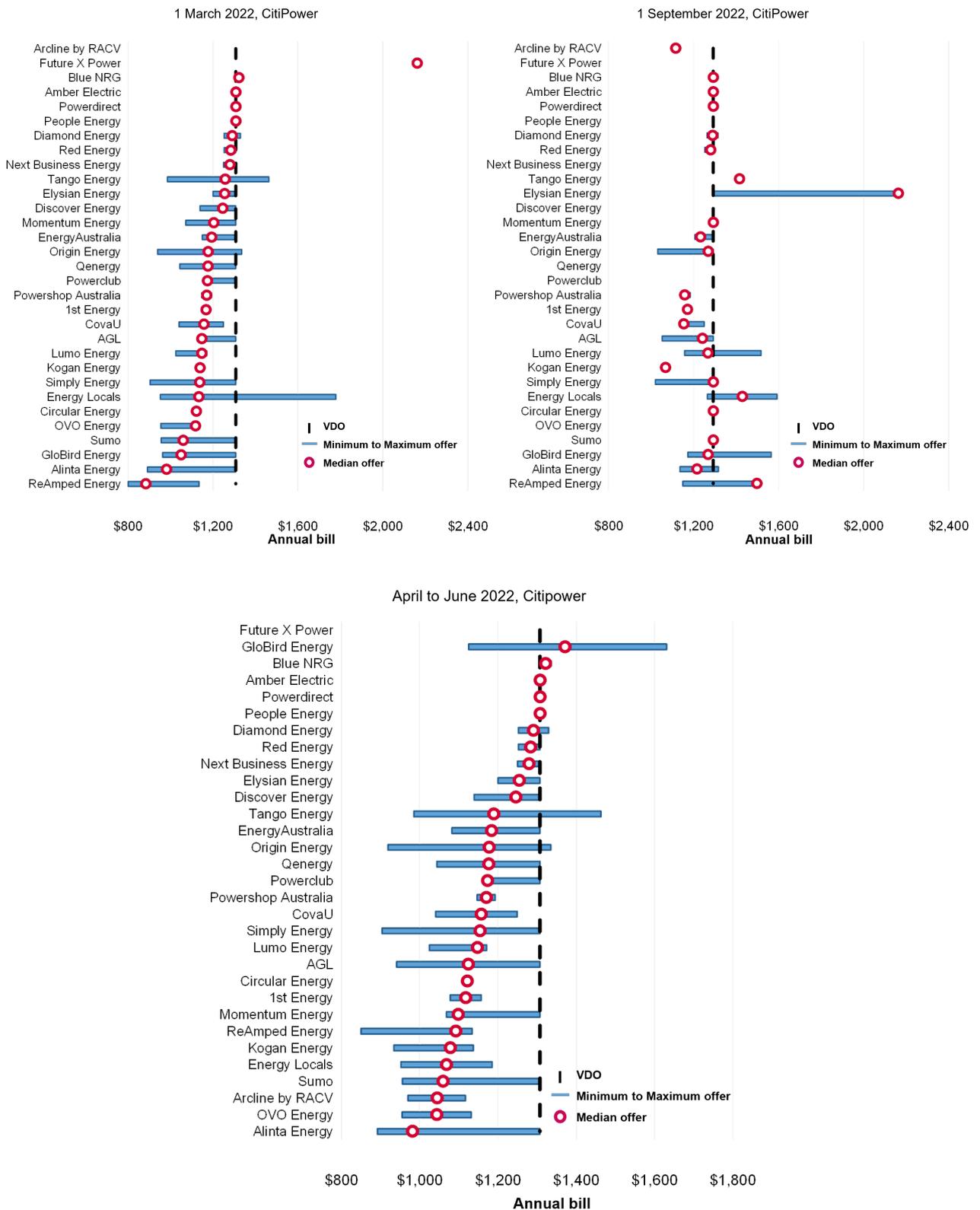
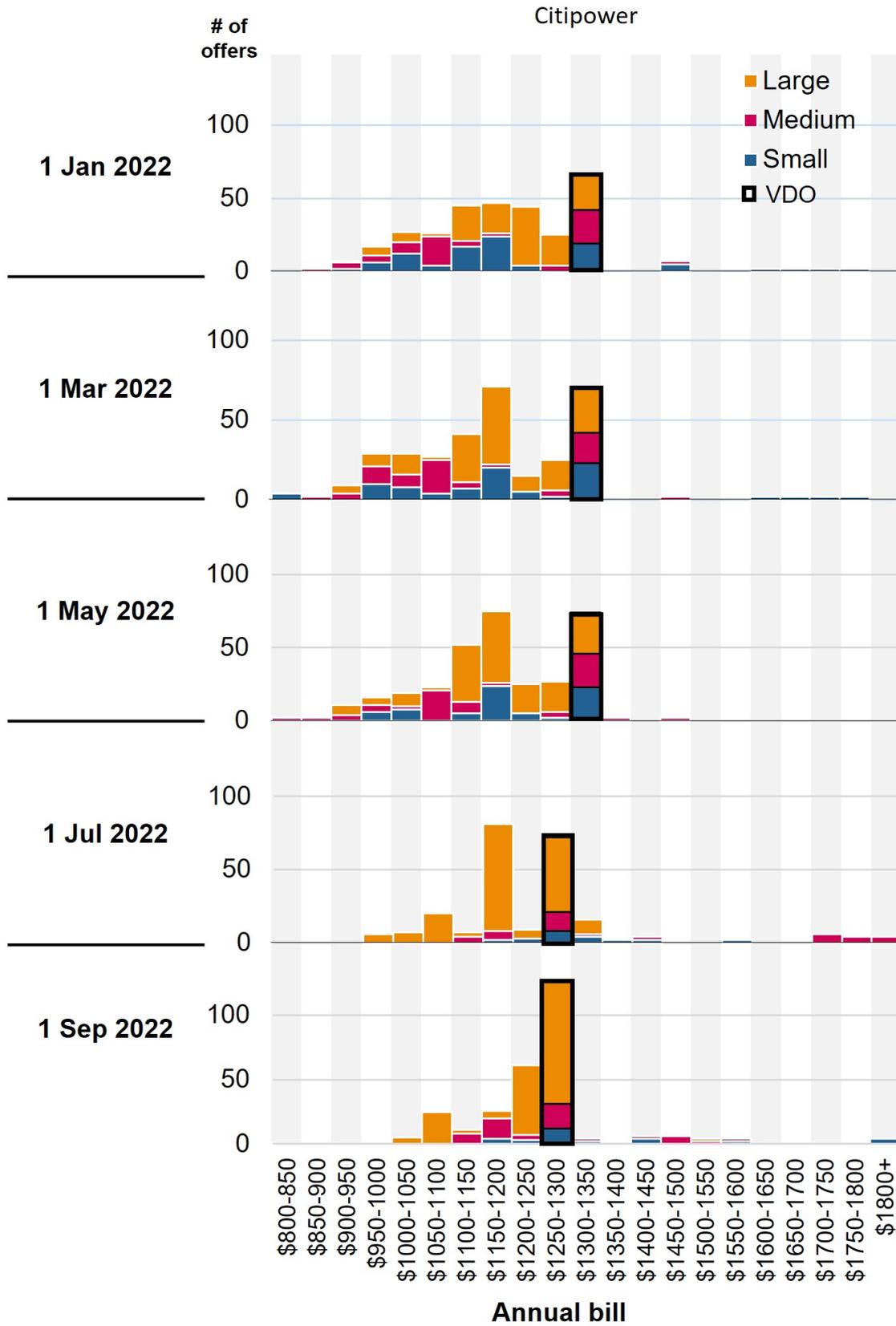


Figure 18: Residential electricity offers, annual bill distribution



Jemena

Figure 19: Median and interquartile ranges of electricity offers and prices paid

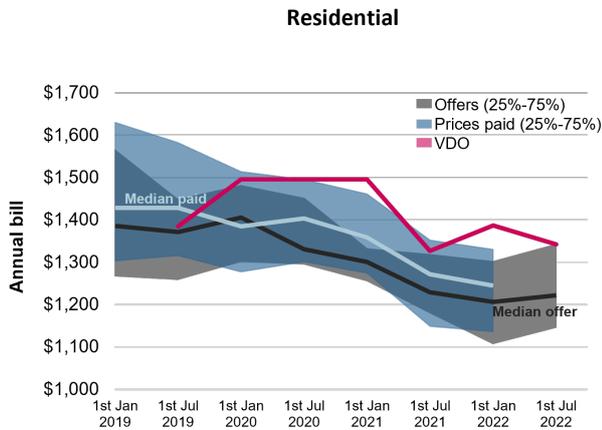


Figure 20: Median electricity offer by retailer size

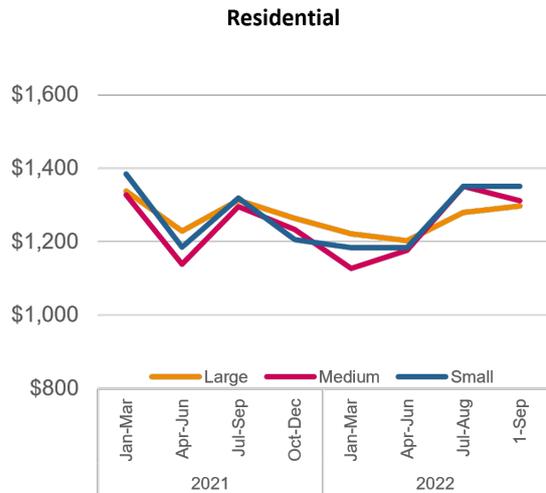


Figure 21: Proportion of electricity offers relative to the VDO

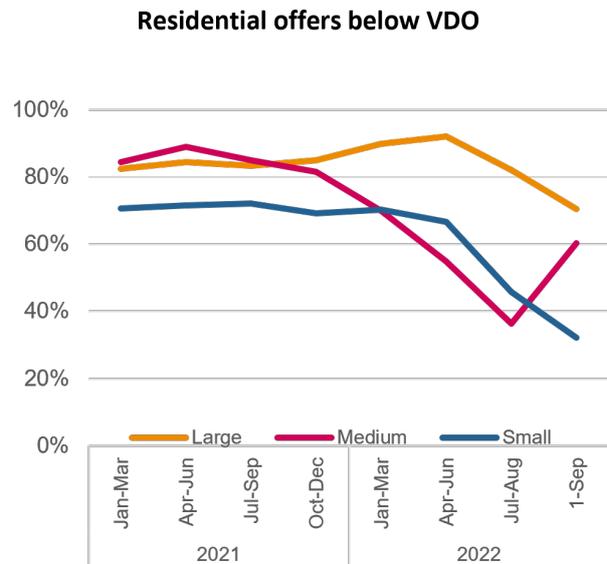
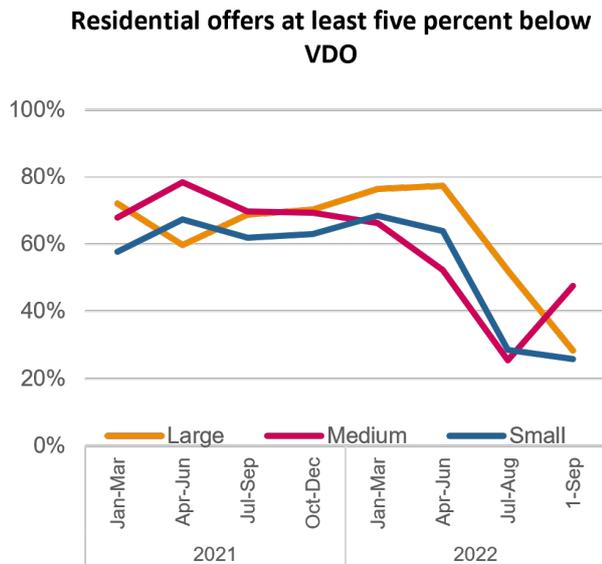


Figure 22: Minimum and maximum electricity offer by retailer, annual bill

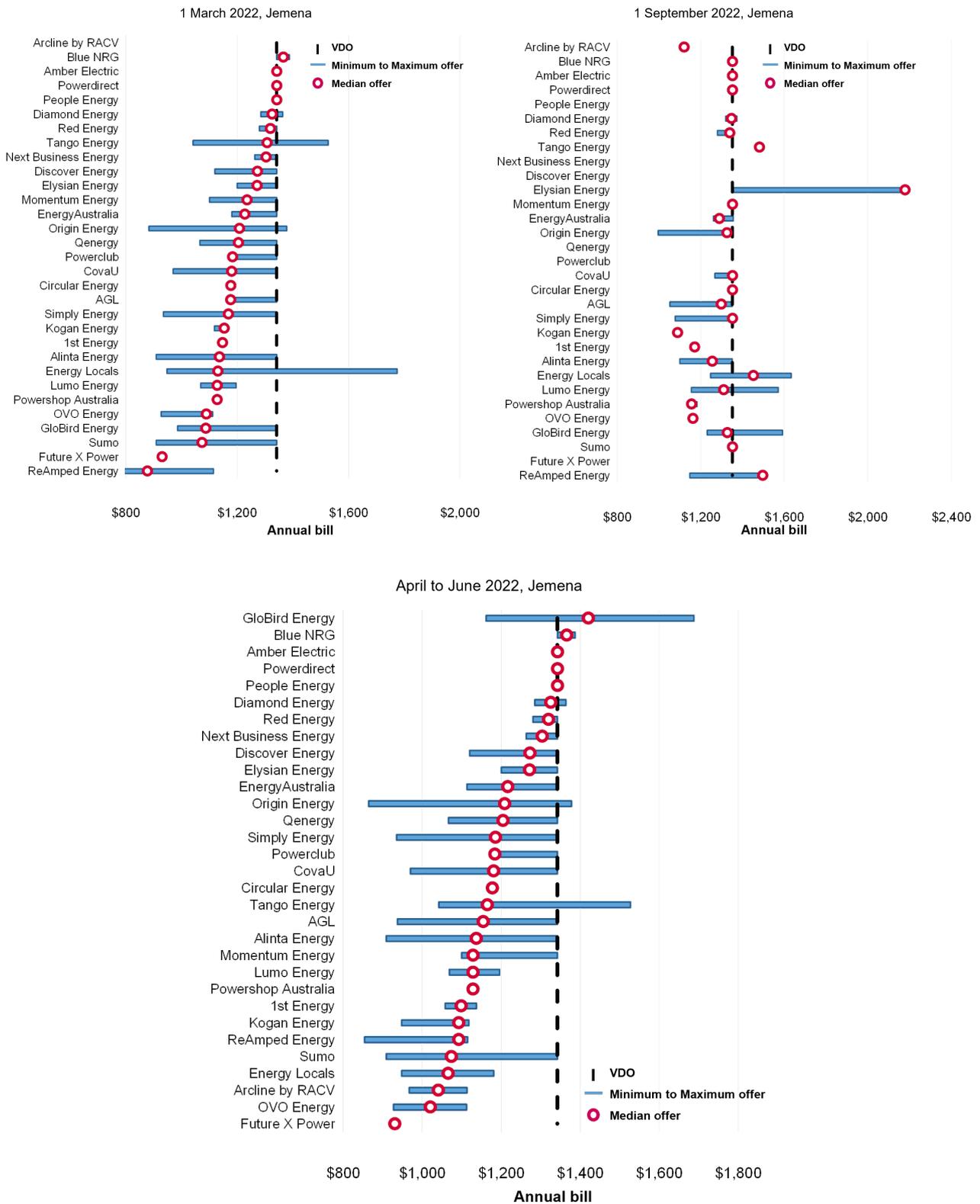
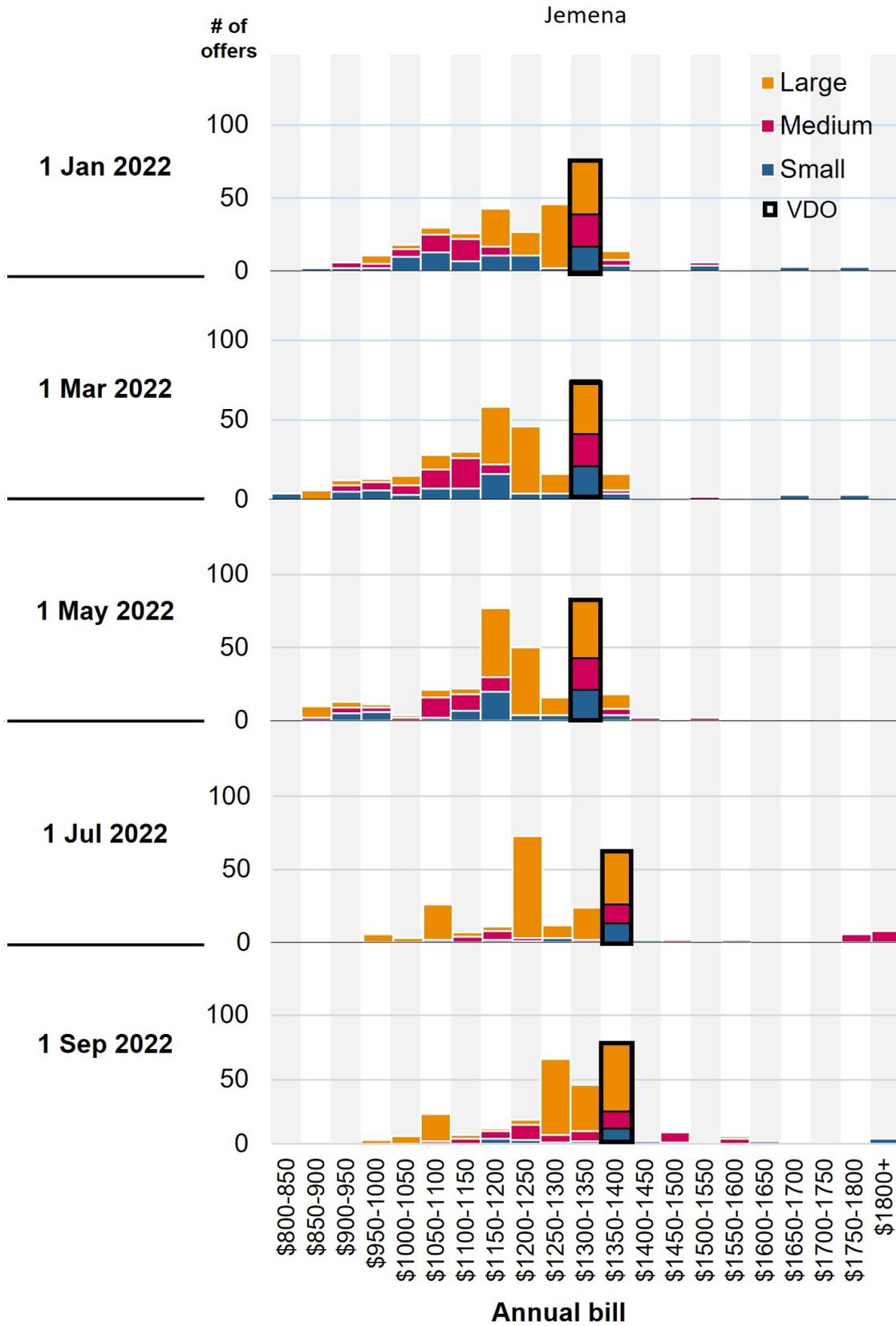


Figure 23: Residential electricity offers, annual bill distribution



Powercor

Figure 24: Median and interquartile ranges of electricity offers and prices paid

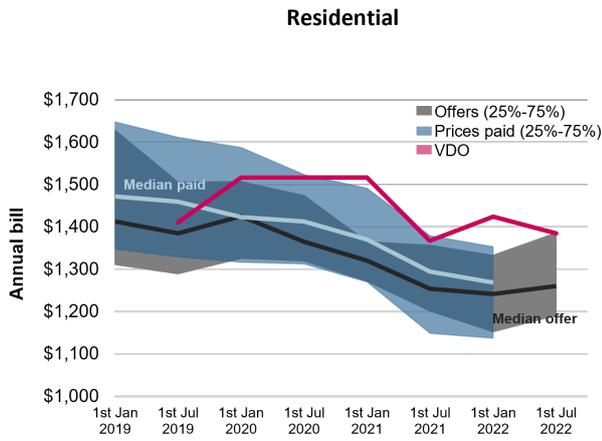


Figure 25: Median electricity offer by retailer size



Figure 26: Proportion of electricity offers relative to the VDO

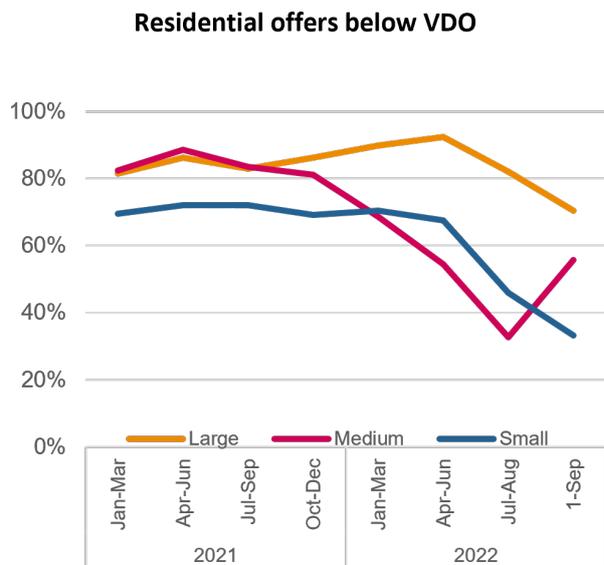
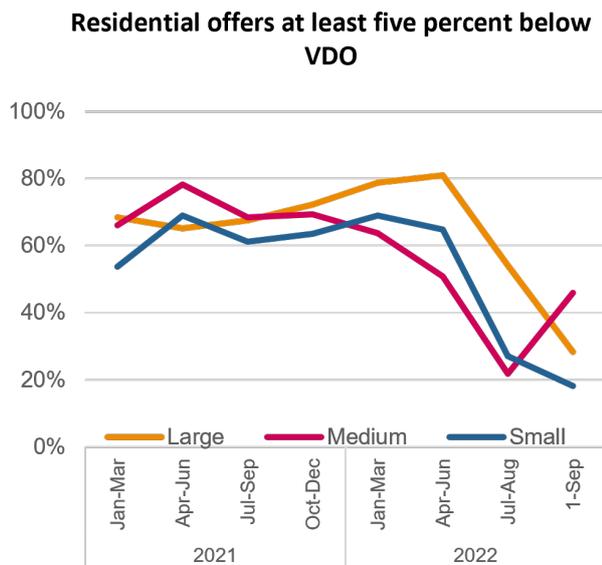
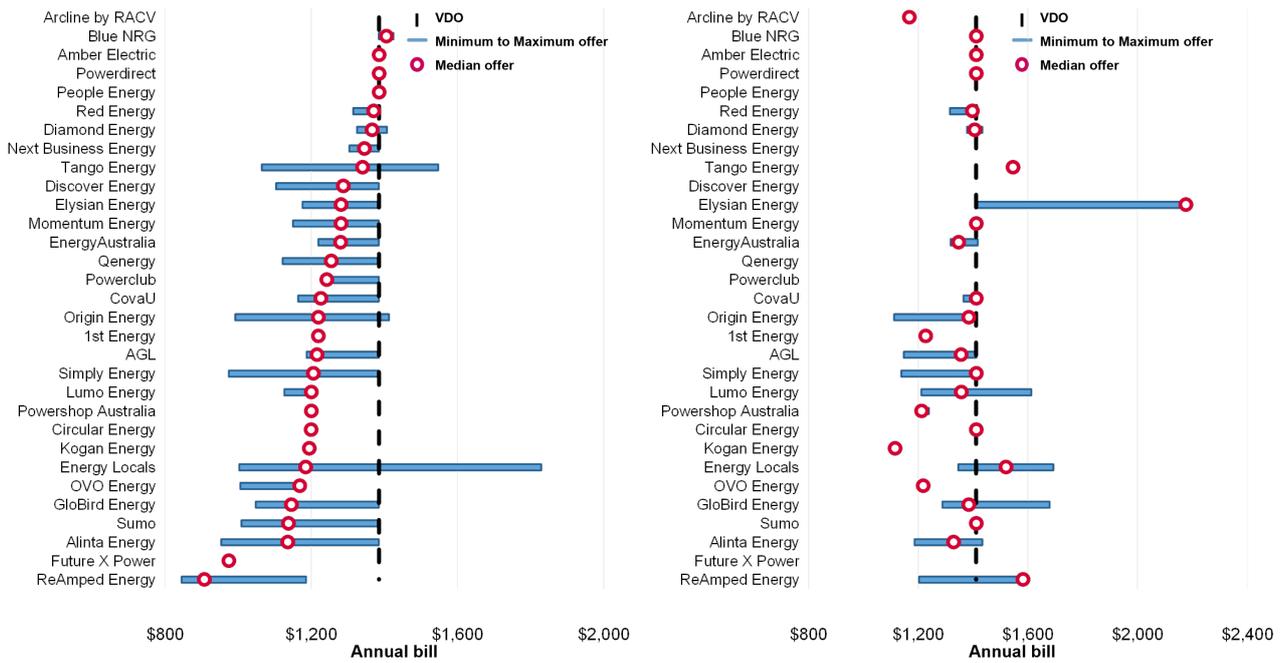


Figure 27: Minimum and maximum electricity offer by retailer, annual bill



April to June 2022, Powercor

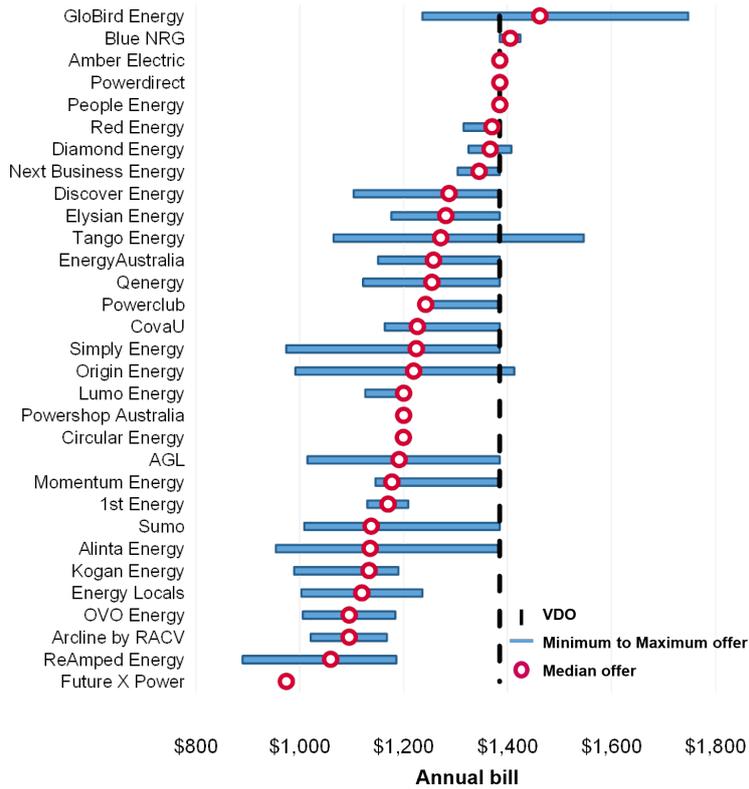
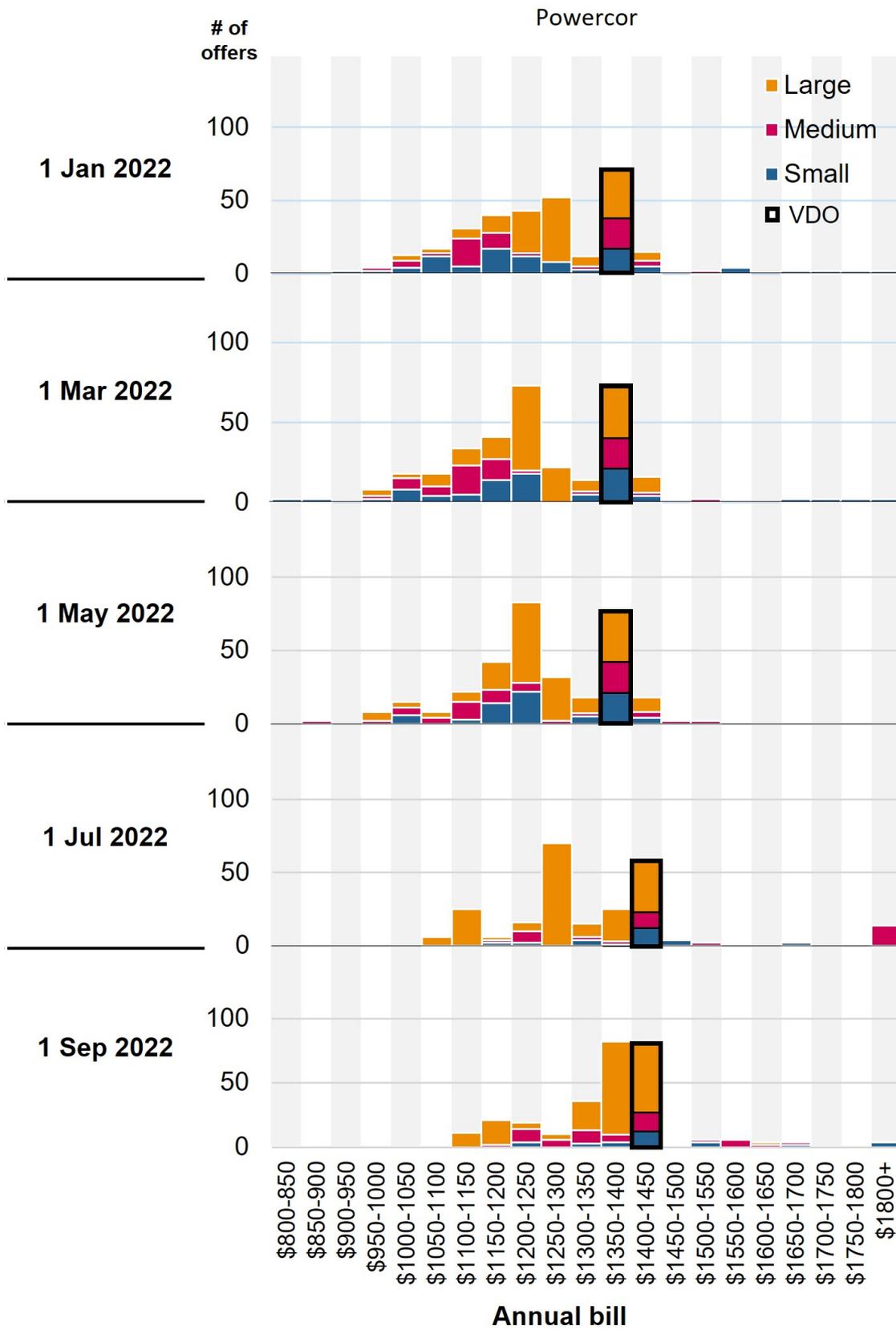


Figure 28: Residential electricity offers, annual bill distribution



United Energy

Figure 29: Median and interquartile ranges of electricity offers and prices paid

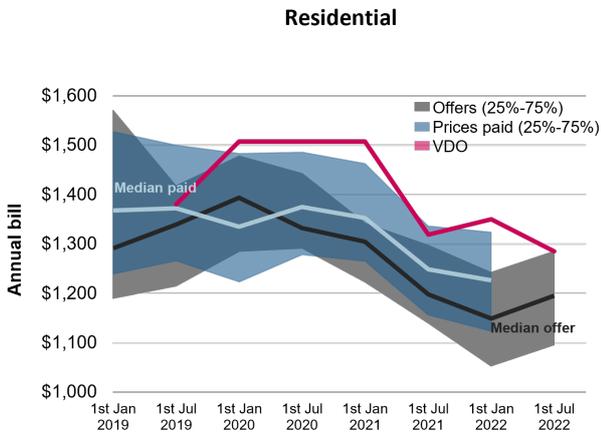


Figure 30: Median electricity offer by retailer size

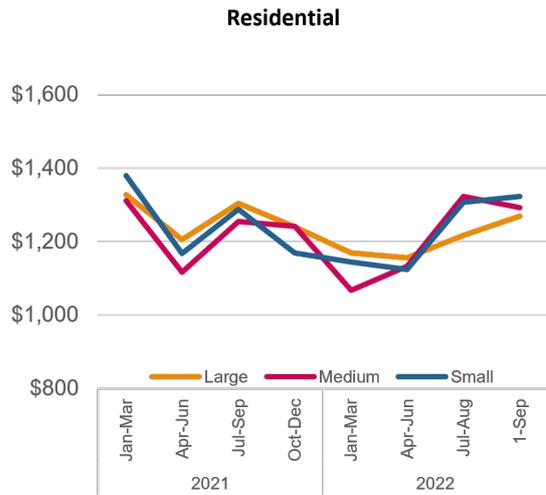


Figure 31: Proportion of electricity offers relative to the VDO

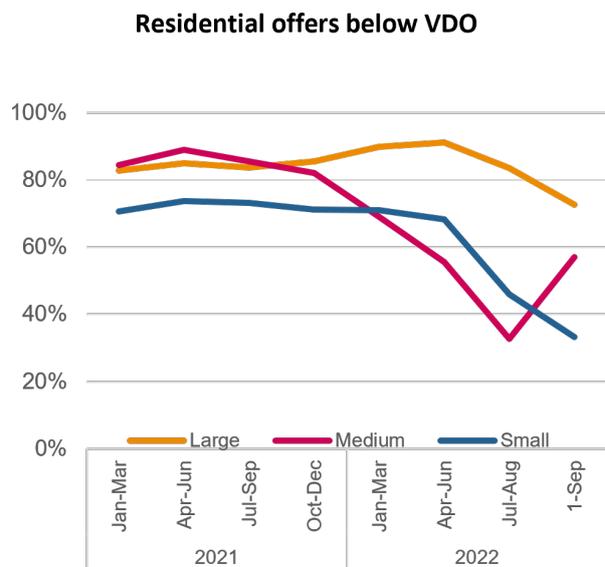
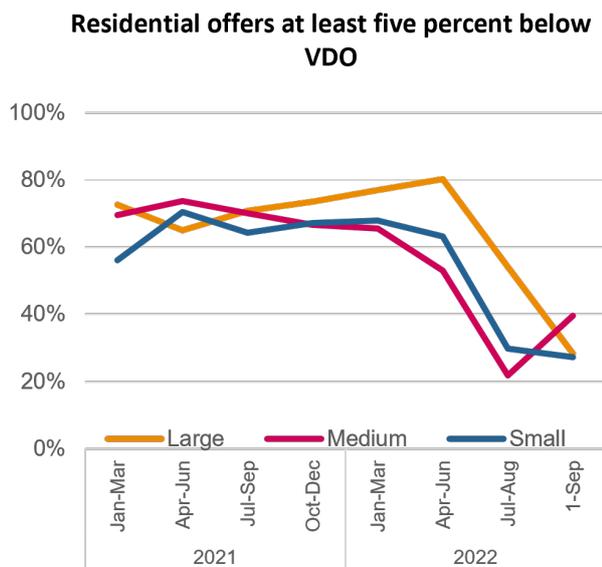


Figure 32: Minimum and maximum electricity offer by retailer, annual bill

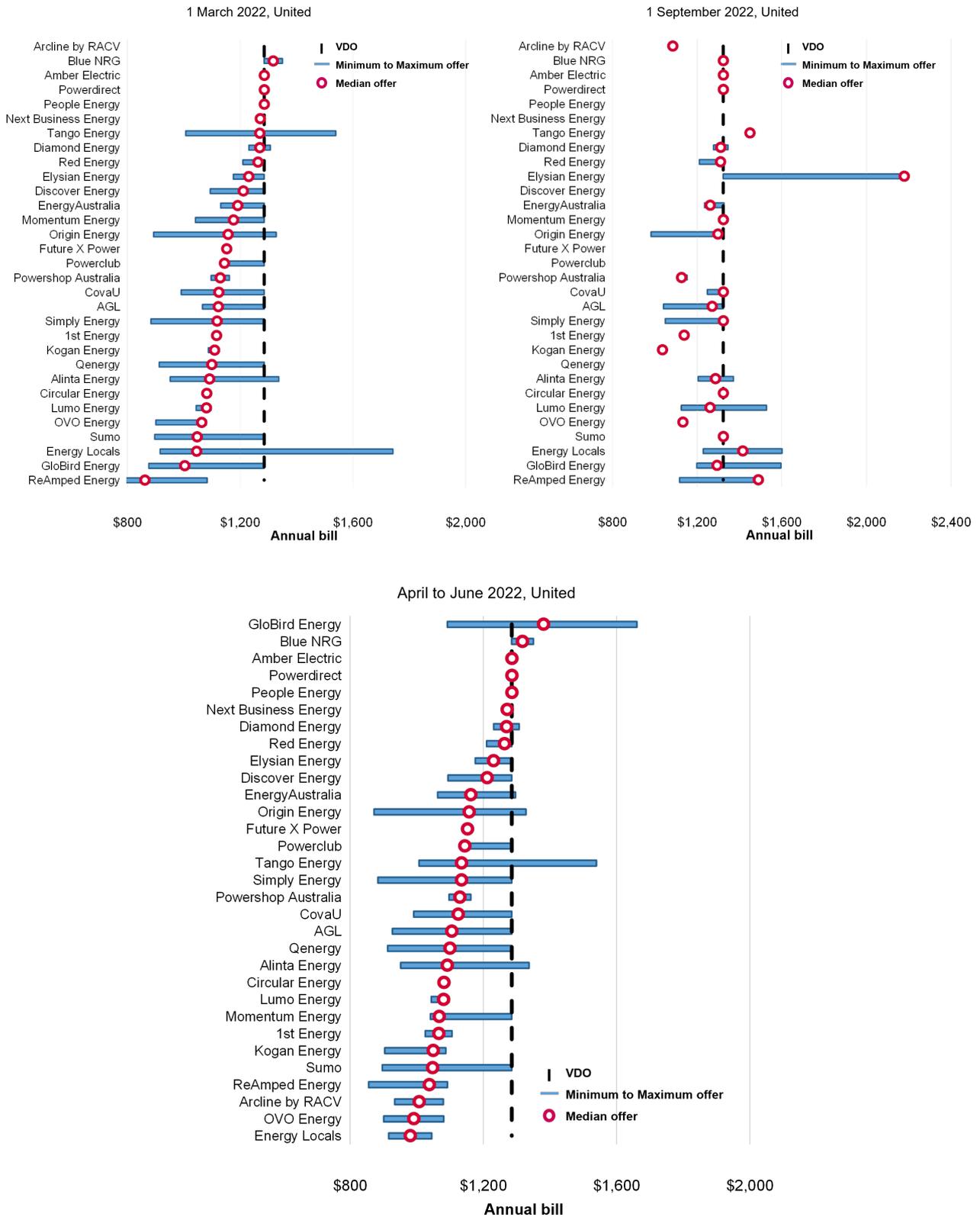
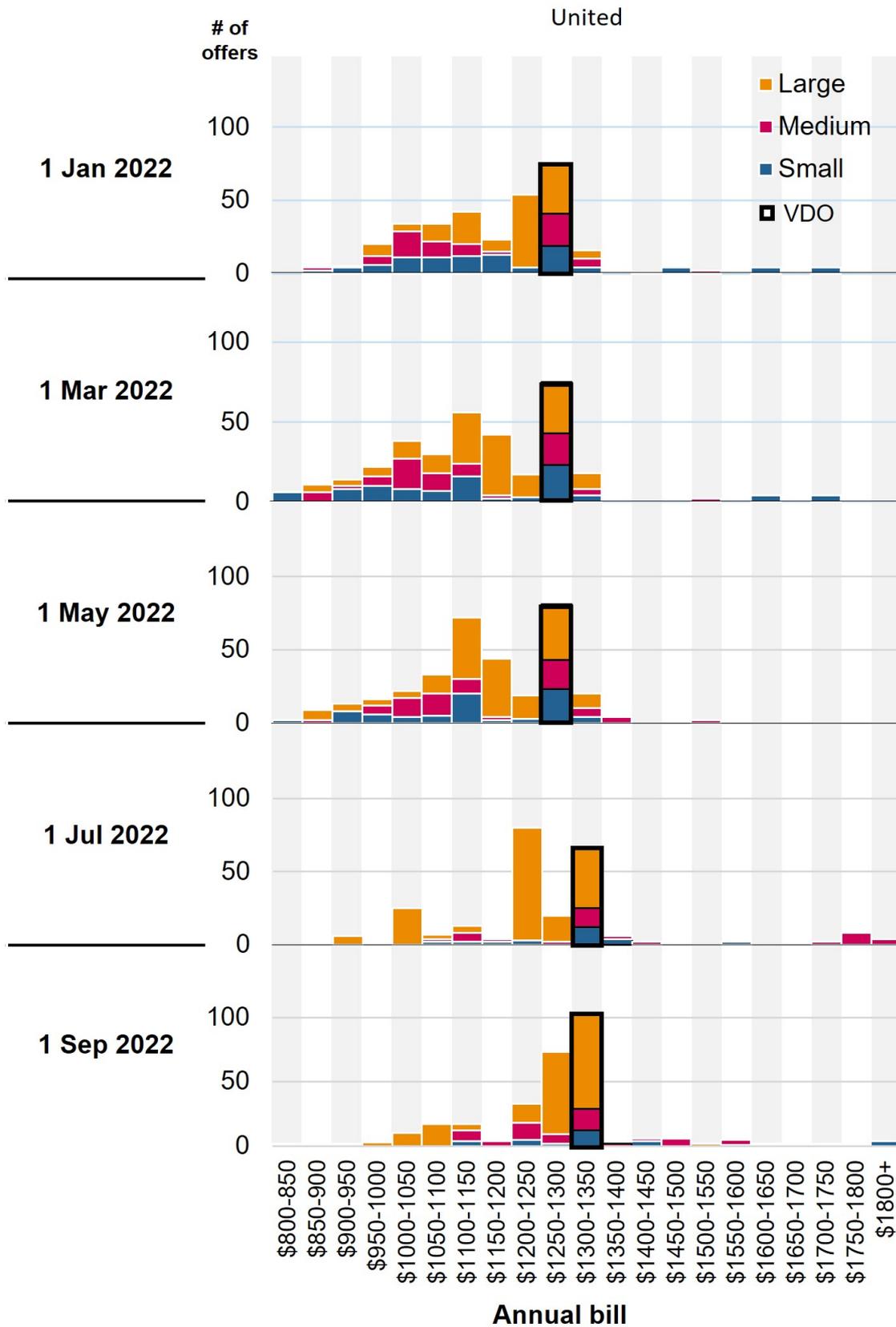


Figure 33: Residential electricity offers, annual bill distribution



Residential gas

AusNet Services

Figure 34: Median and interquartile range of gas offers

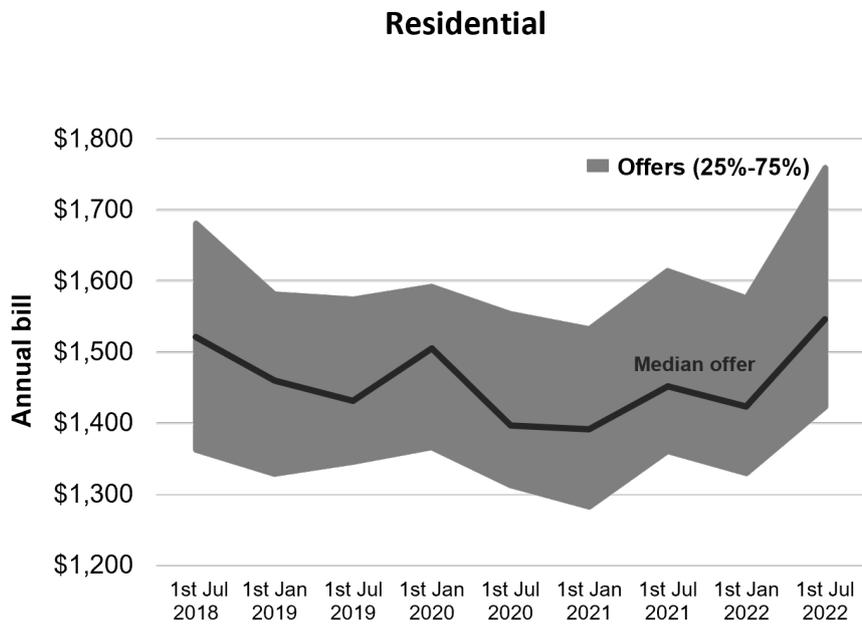


Figure 35: Median gas offer by retailer size

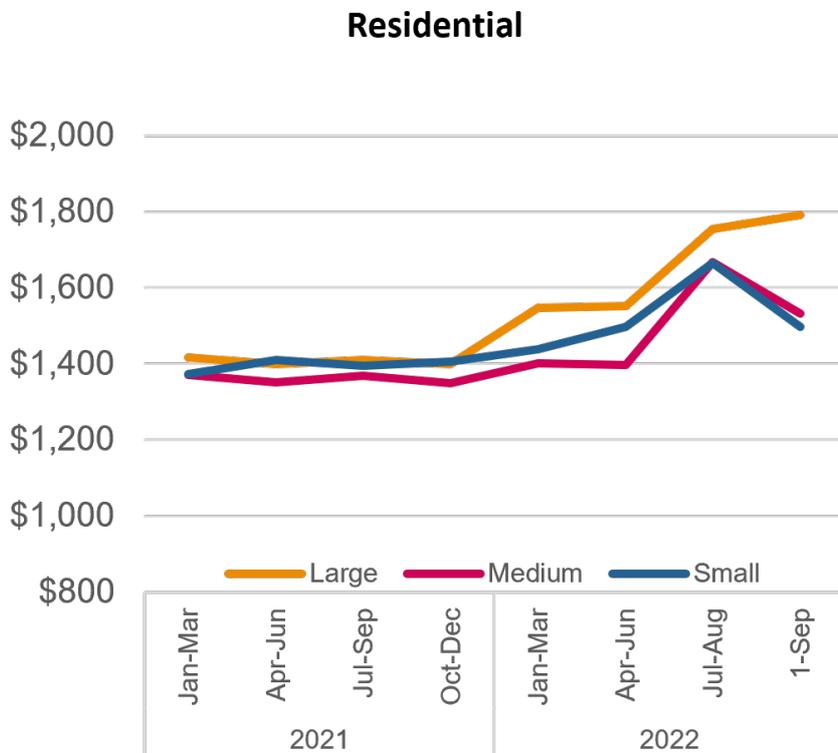


Figure 36: Minimum and maximum gas offer by retailer, annual bill

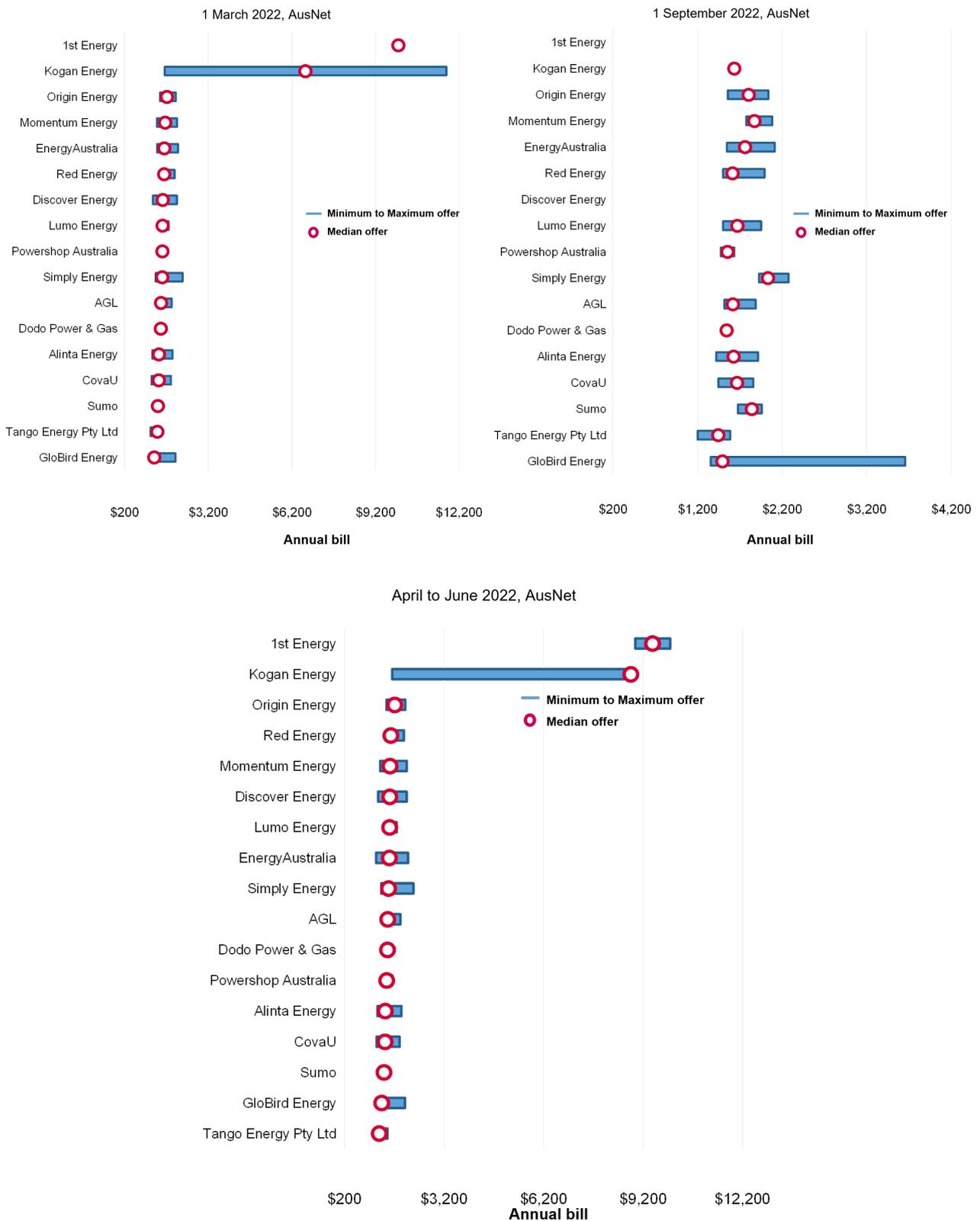
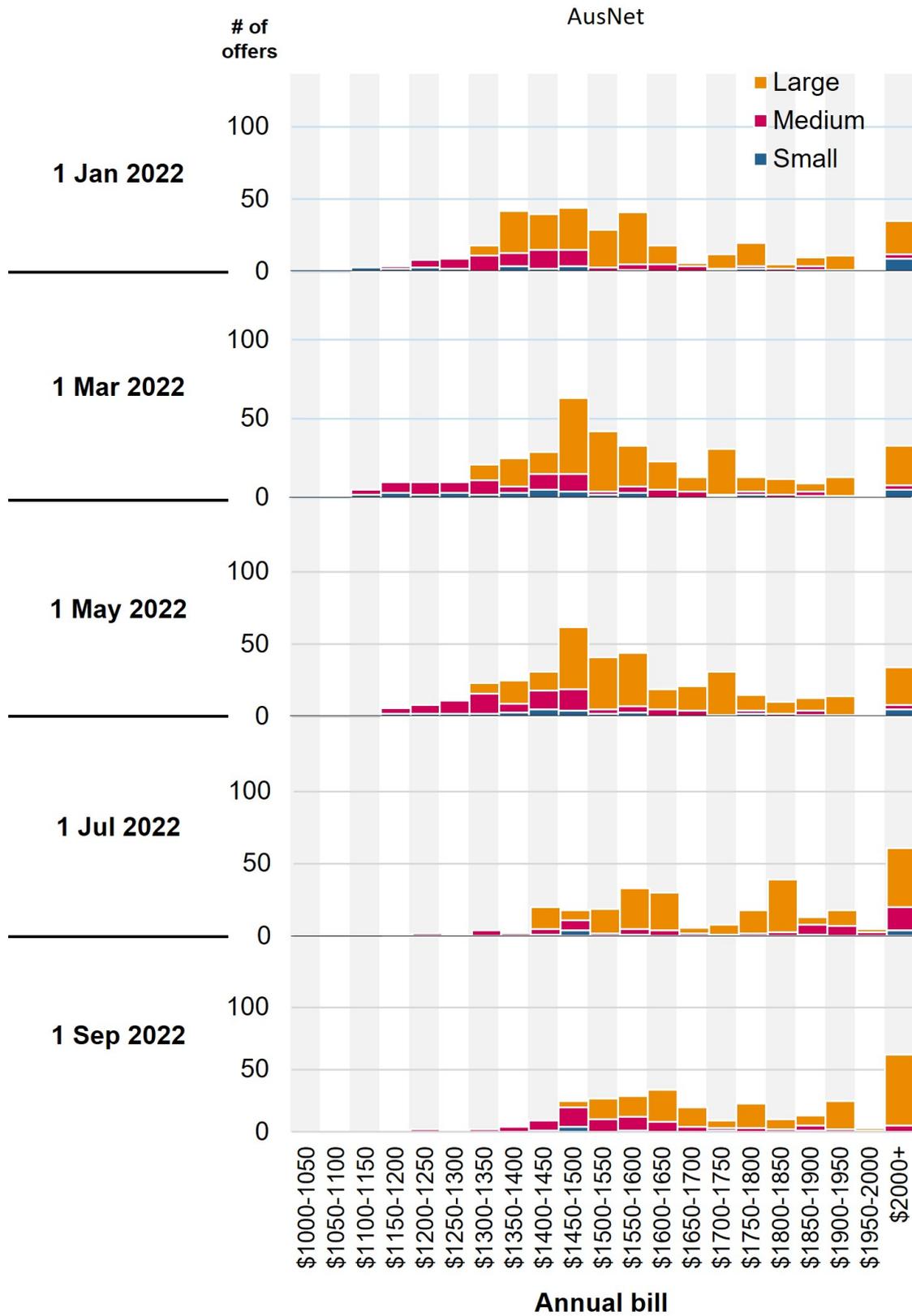


Figure 37: Residential gas offers, annual bill distribution



Australian Gas Networks

Figure 38: Median and interquartile range of gas offers

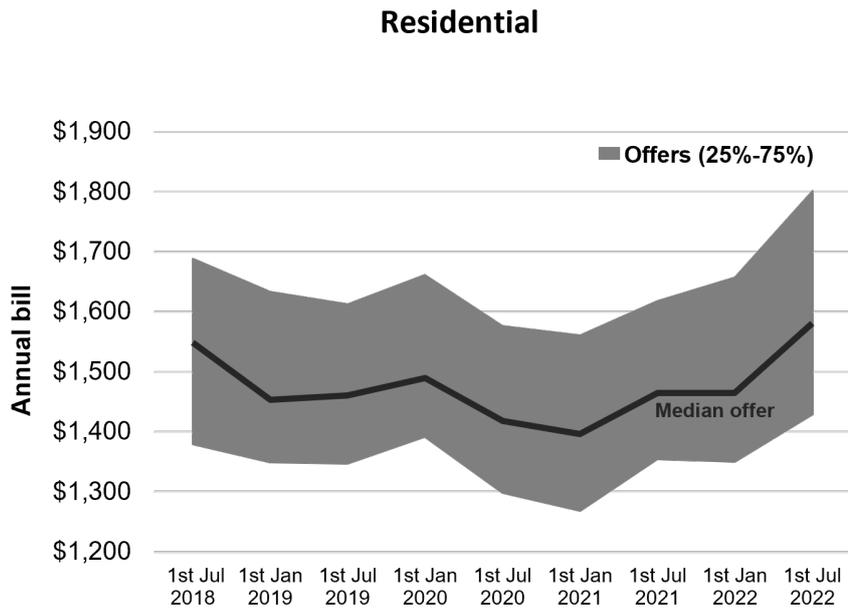


Figure 39: Median gas offer by retailer size

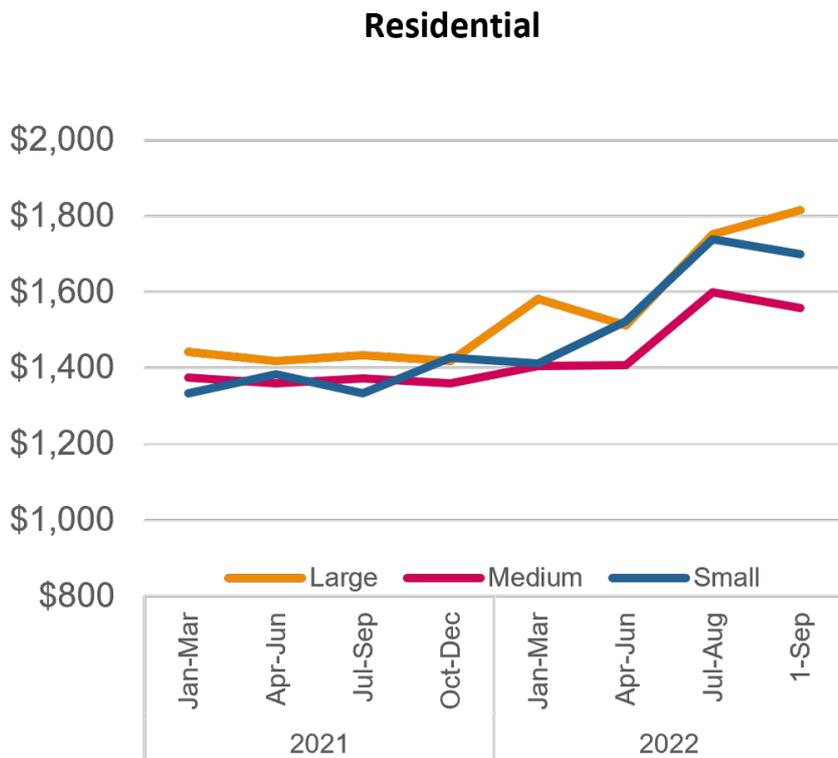


Figure 40: Minimum and maximum gas offer by retailer, annual bill

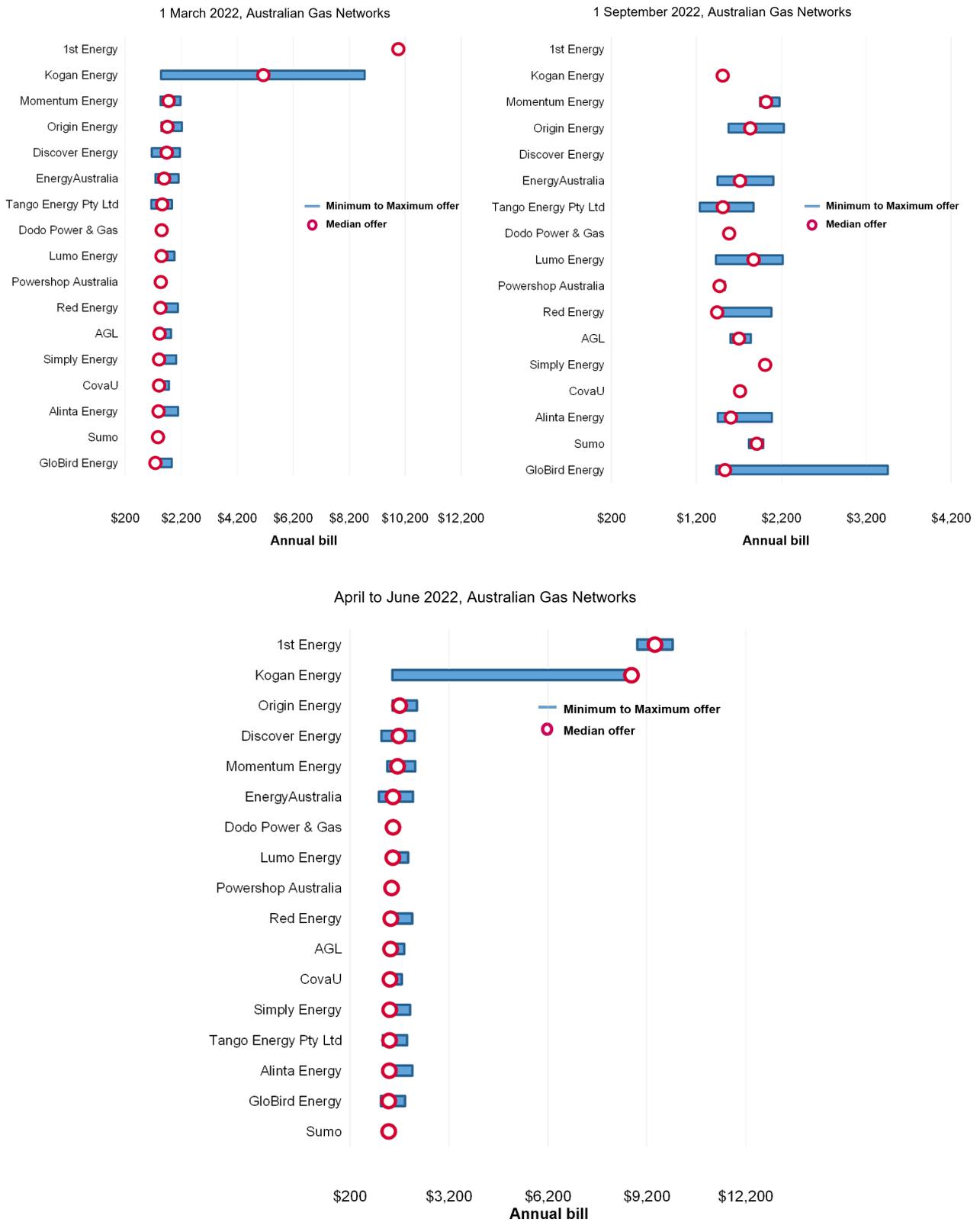


Figure 41: Residential gas offers, annual bill distribution

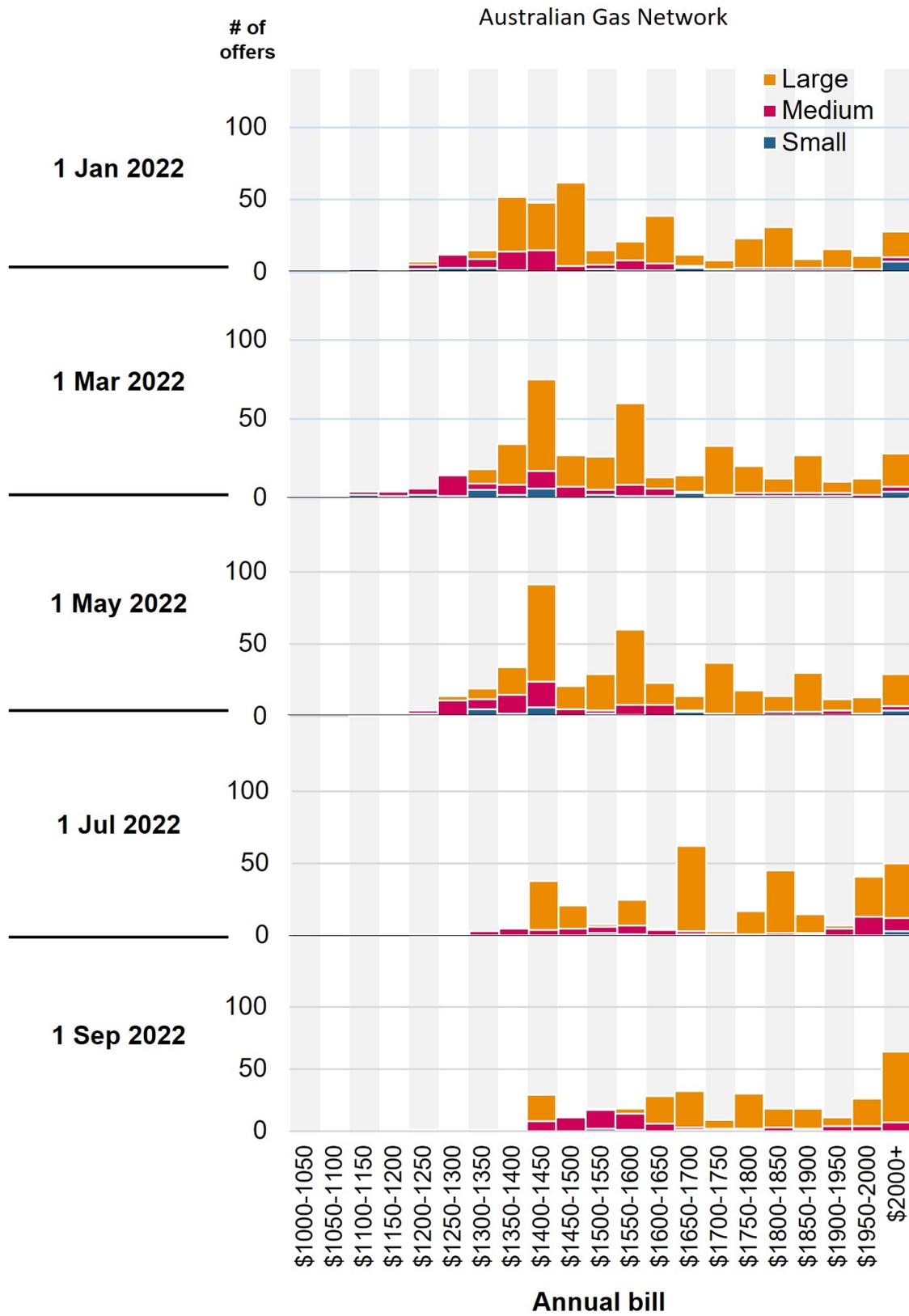


Figure 42: Median and interquartile range of gas offers

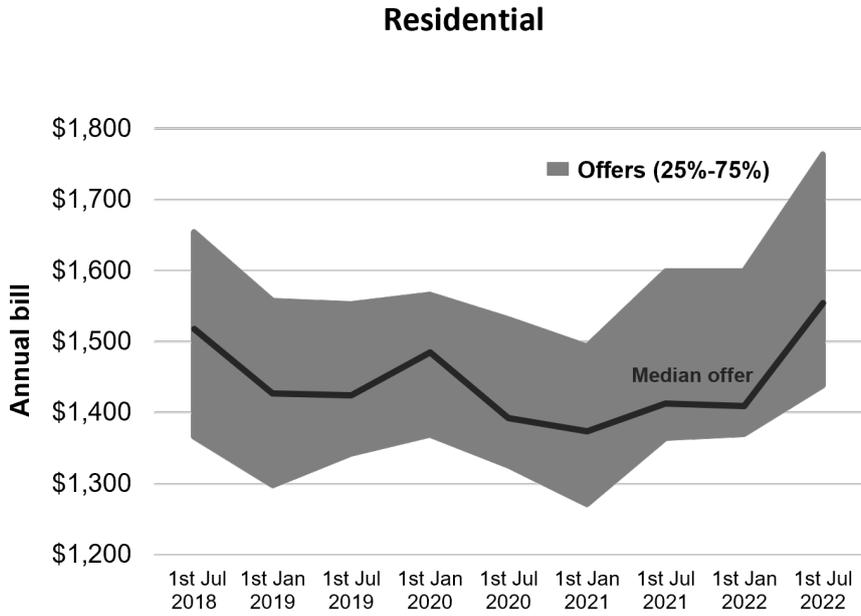


Figure 43: Median gas offer by retailer size

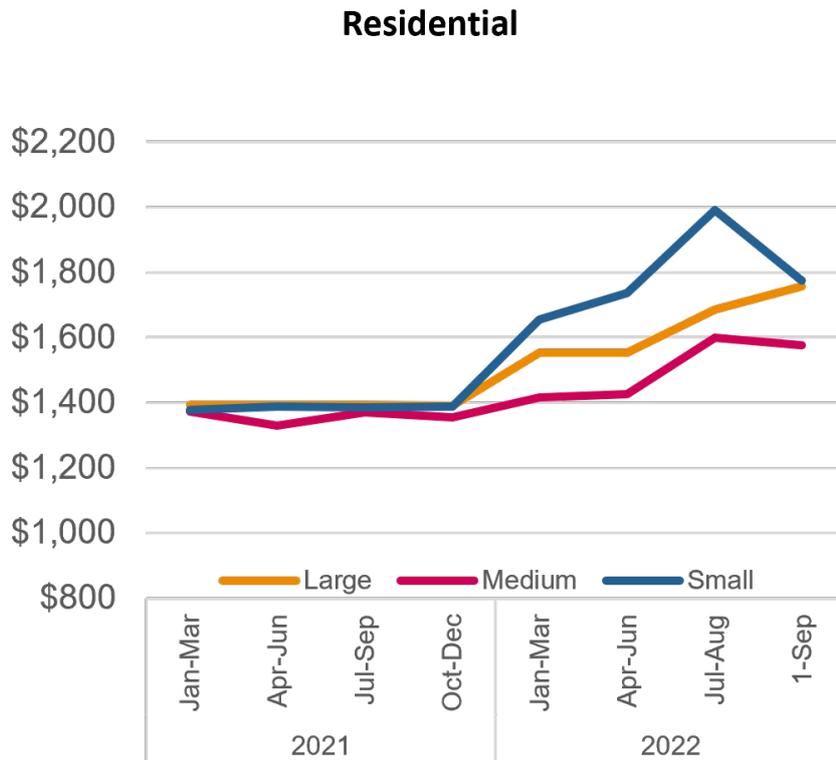


Figure 44: Minimum and maximum gas offer by retailer, annual bill

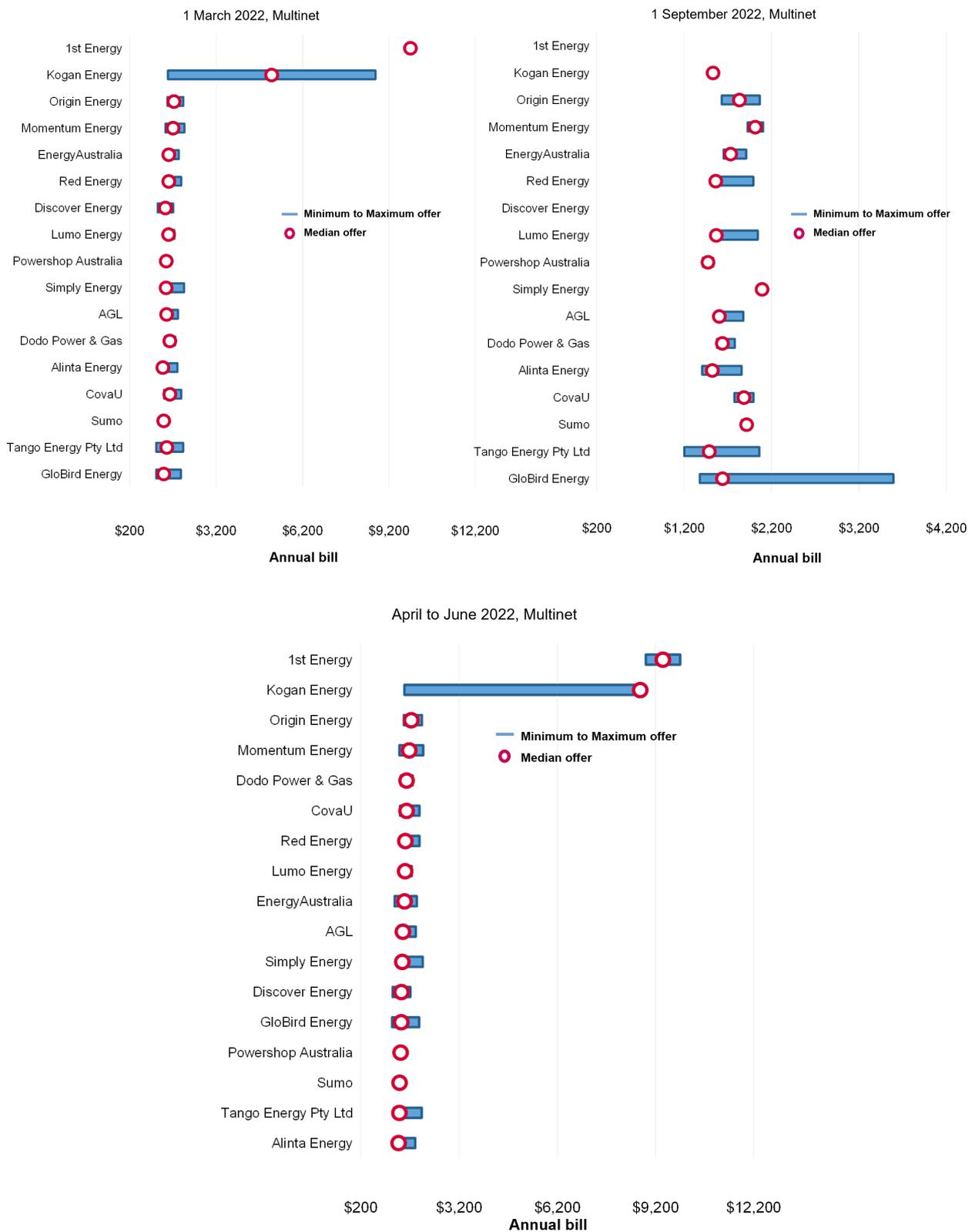
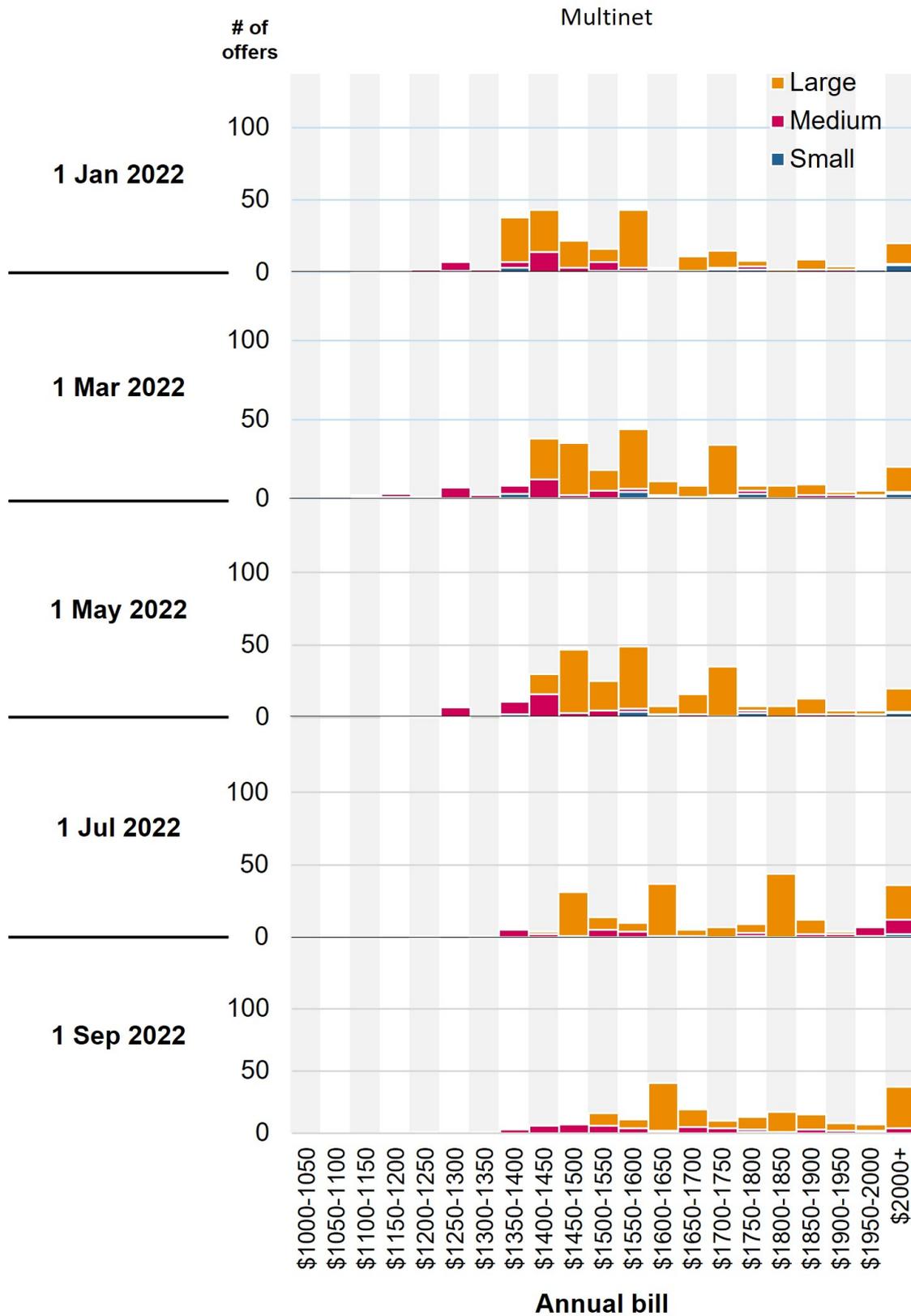


Figure 45: Residential gas offers, annual bill distribution



Small business electricity

AusNet Services

Figure 46: Median and interquartile ranges of electricity offers and prices paid

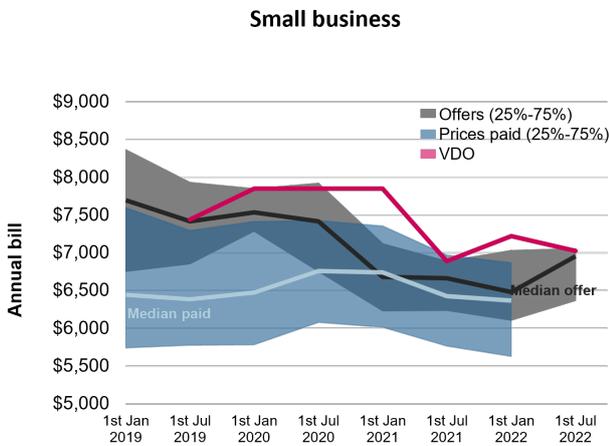


Figure 47: Median electricity offer by retailer size

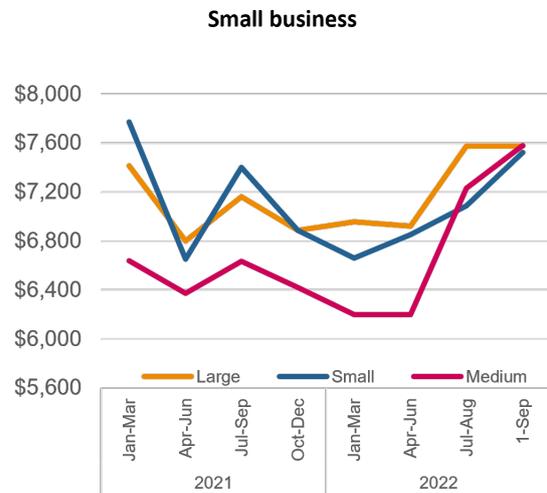


Figure 48: Proportion of electricity offers relative to the VDO

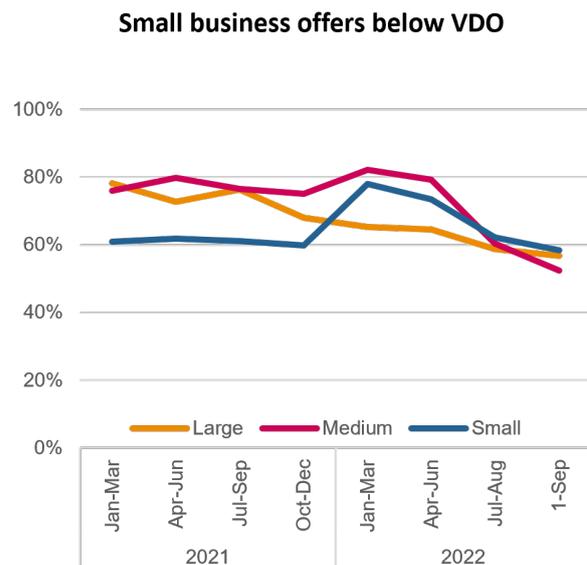
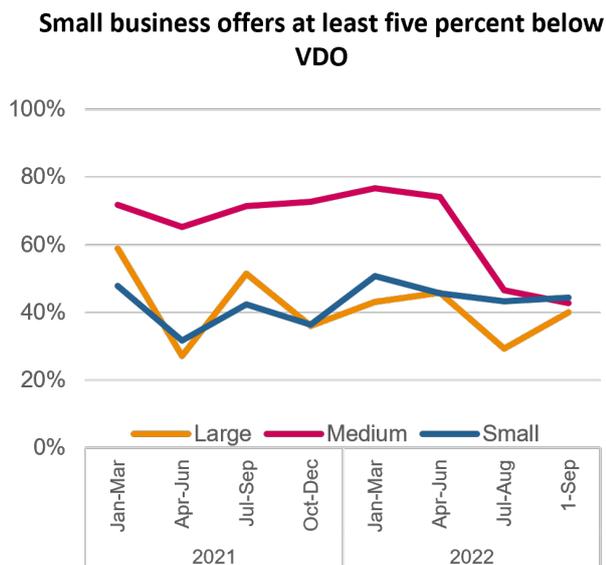


Figure 49: Minimum and maximum electricity offer by retailer, annual bill

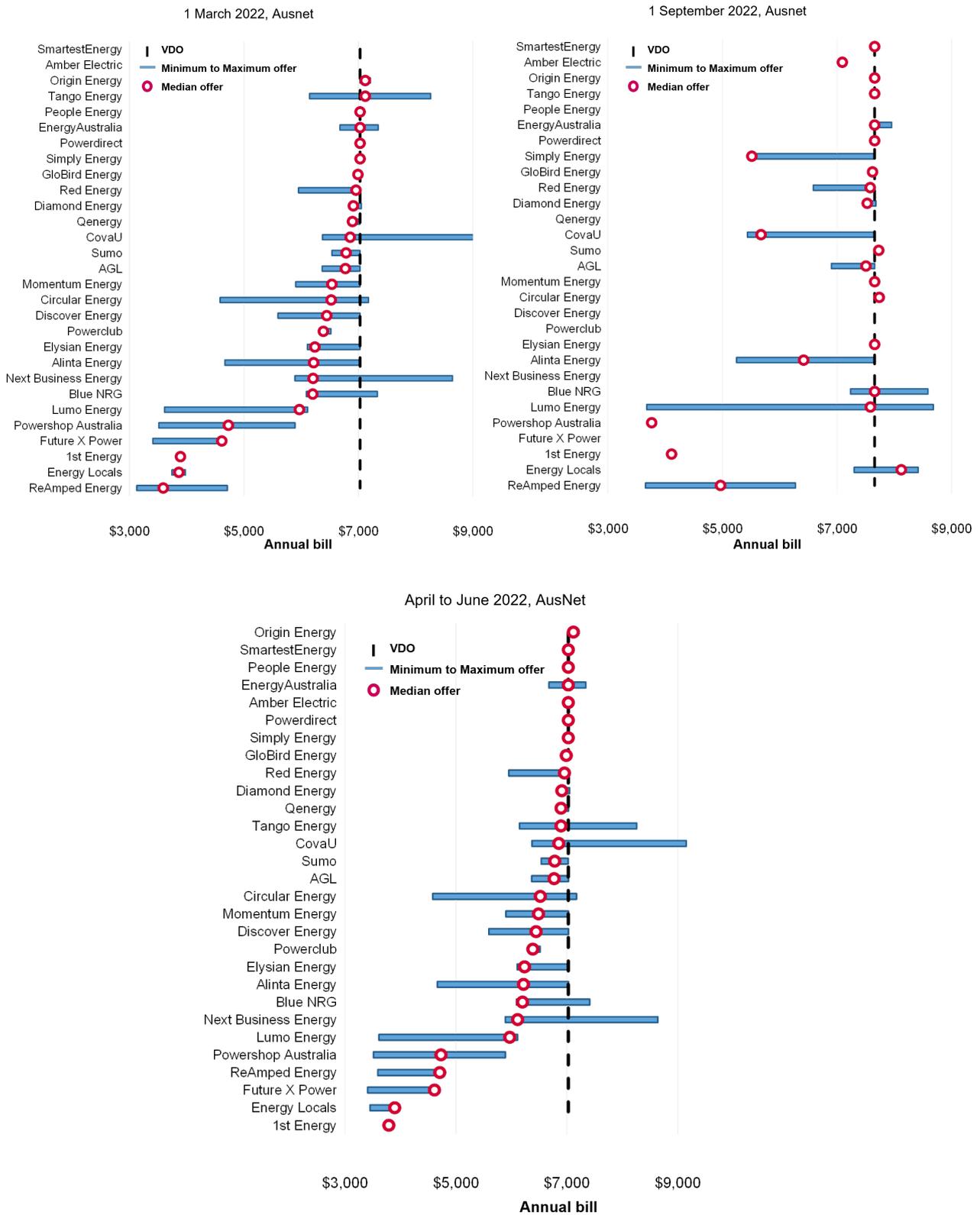
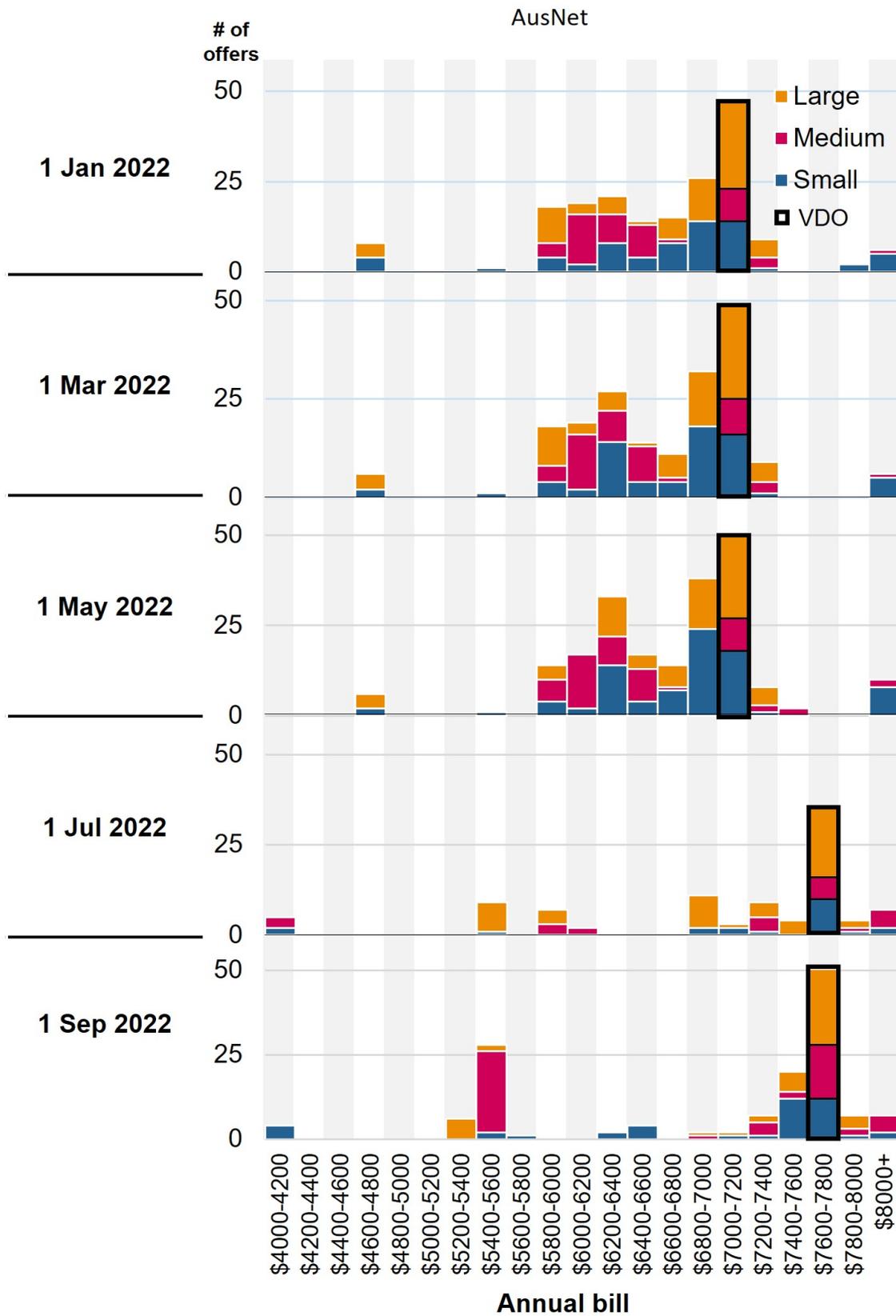


Figure 50: Small business electricity offers, annual bill distribution



⁴⁶ Note: The AusNet distribution area X-axis starts at \$4000 instead of the \$3000 used for other small business distribution areas.

Citipower

Figure 51: Median and interquartile ranges of electricity offers and prices paid

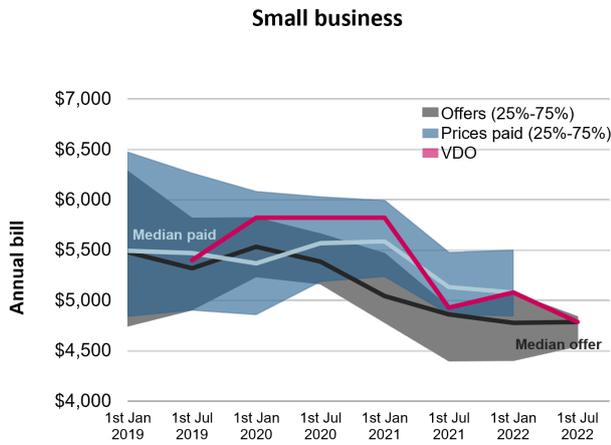


Figure 52: Median electricity offer by retailer size

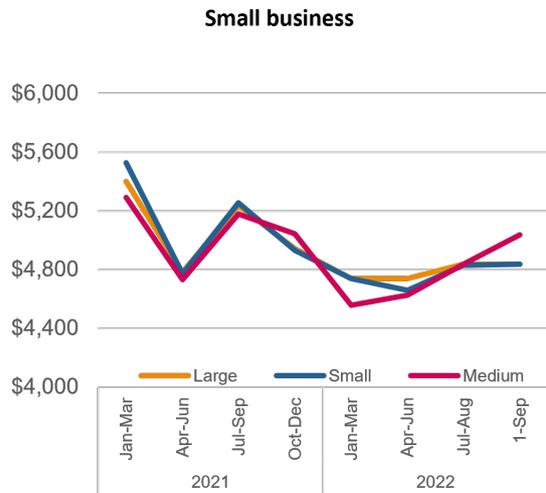


Figure 53: Proportion of electricity offers relative to the VDO

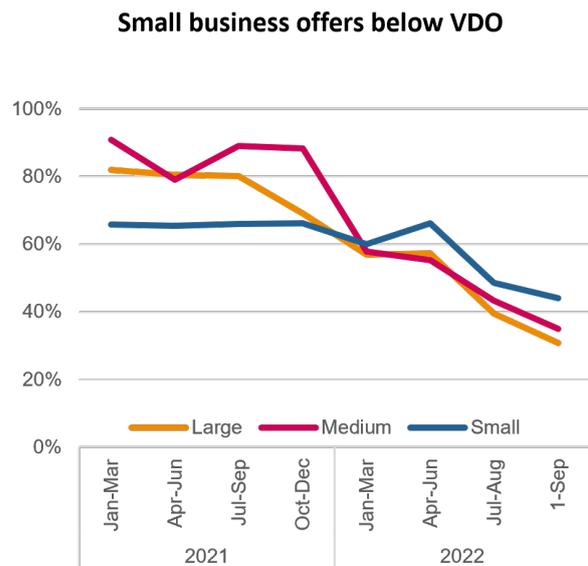
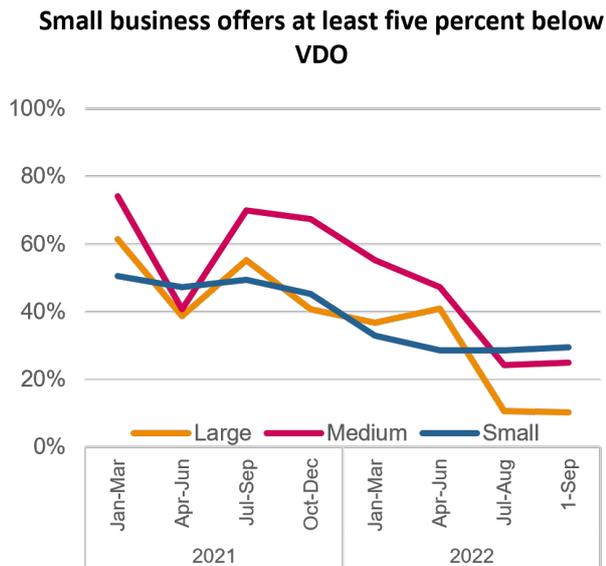


Figure 54: Minimum and maximum electricity offer by retailer, annual bill

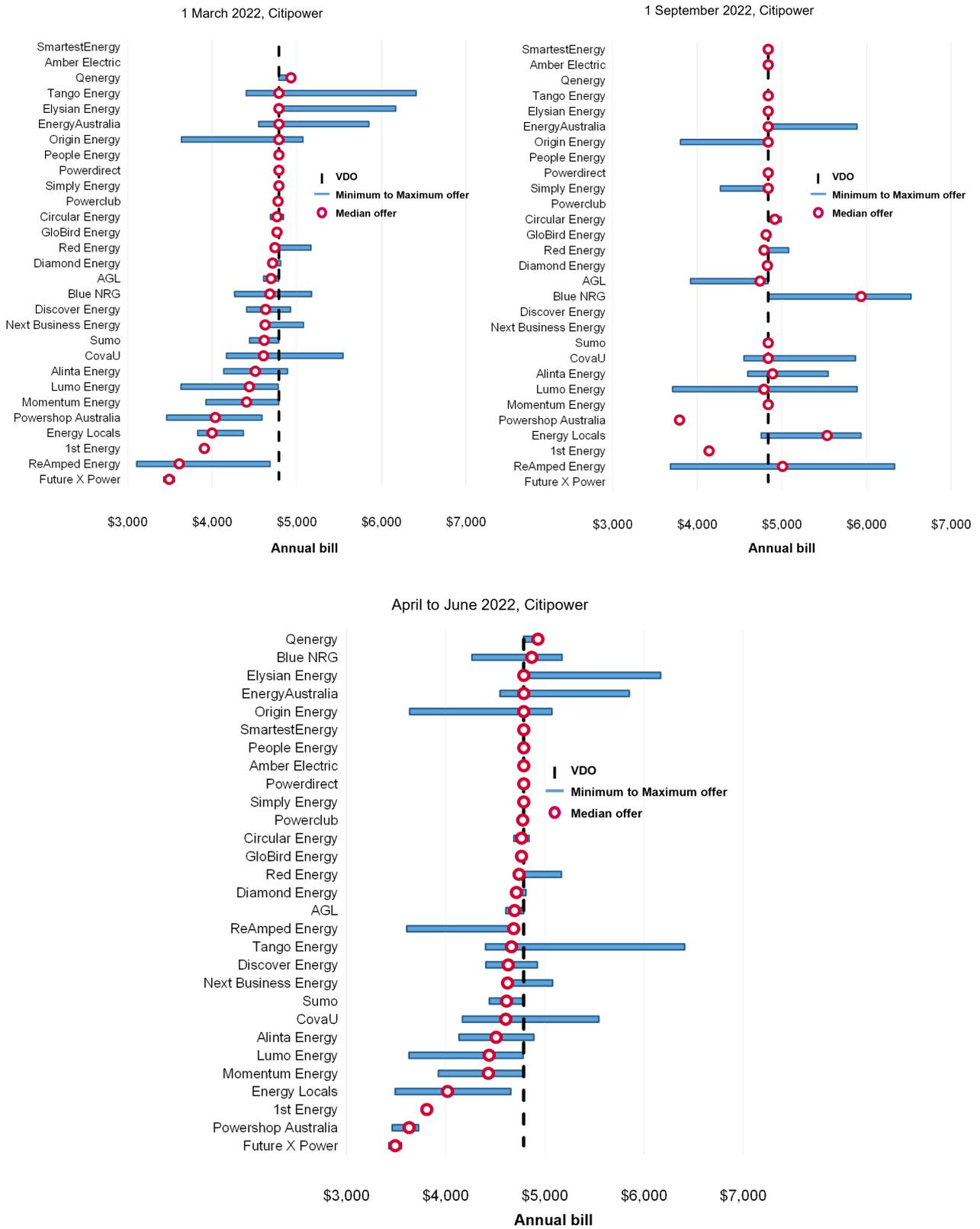
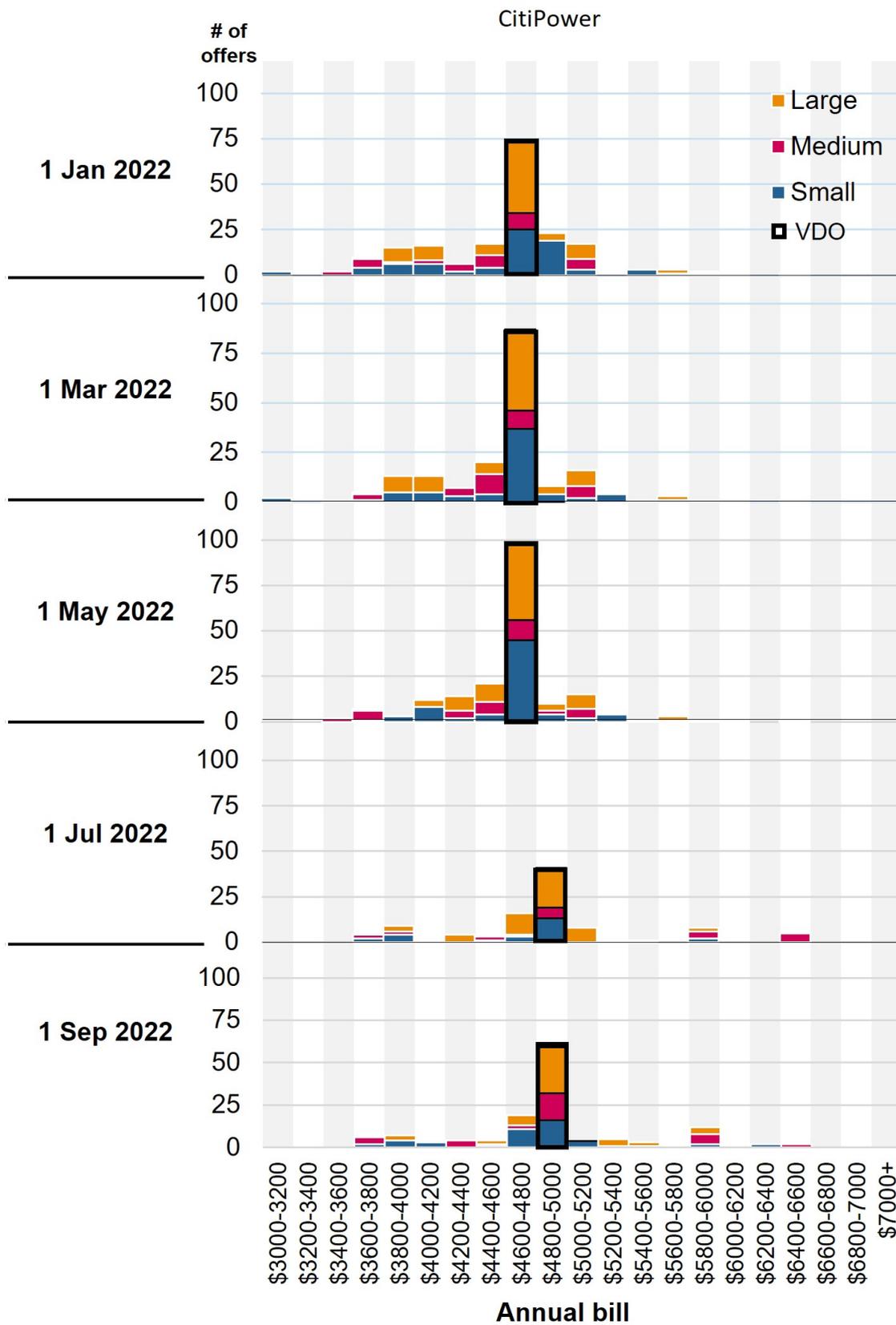


Figure 55: Small business electricity offers, annual bill distribution



Jemena

Figure 56: Median and interquartile ranges of electricity offers and prices paid

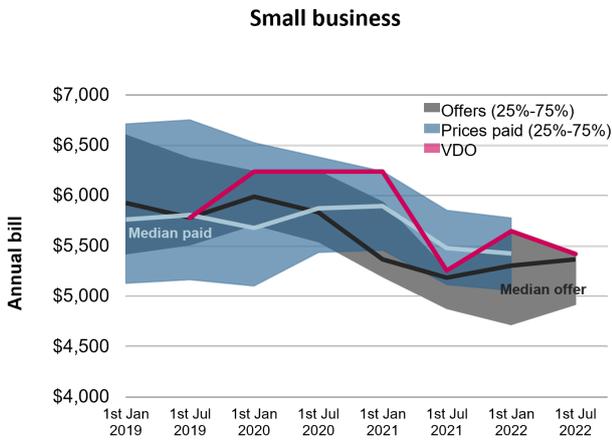


Figure 57: Median electricity offer by retailer size

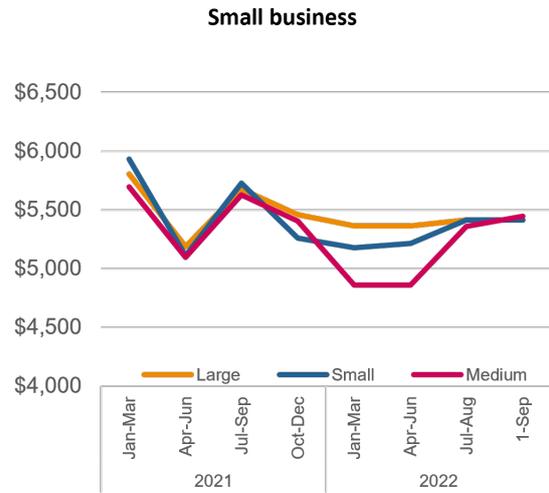


Figure 58: Proportion of electricity offers relative to the VDO

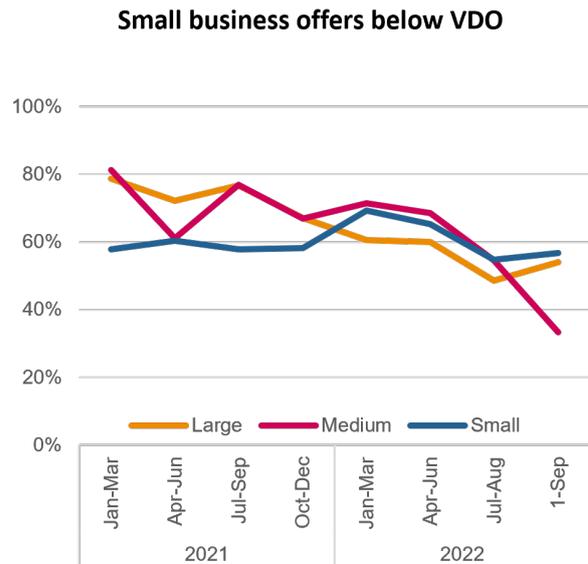
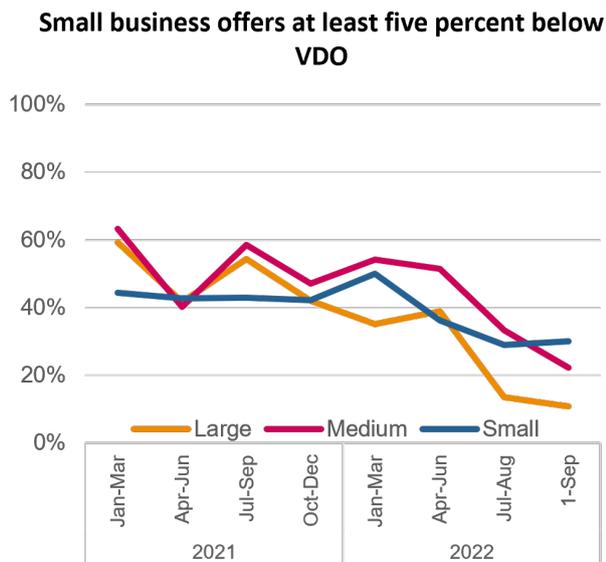


Figure 59: Minimum and maximum electricity offer by retailer, annual bill

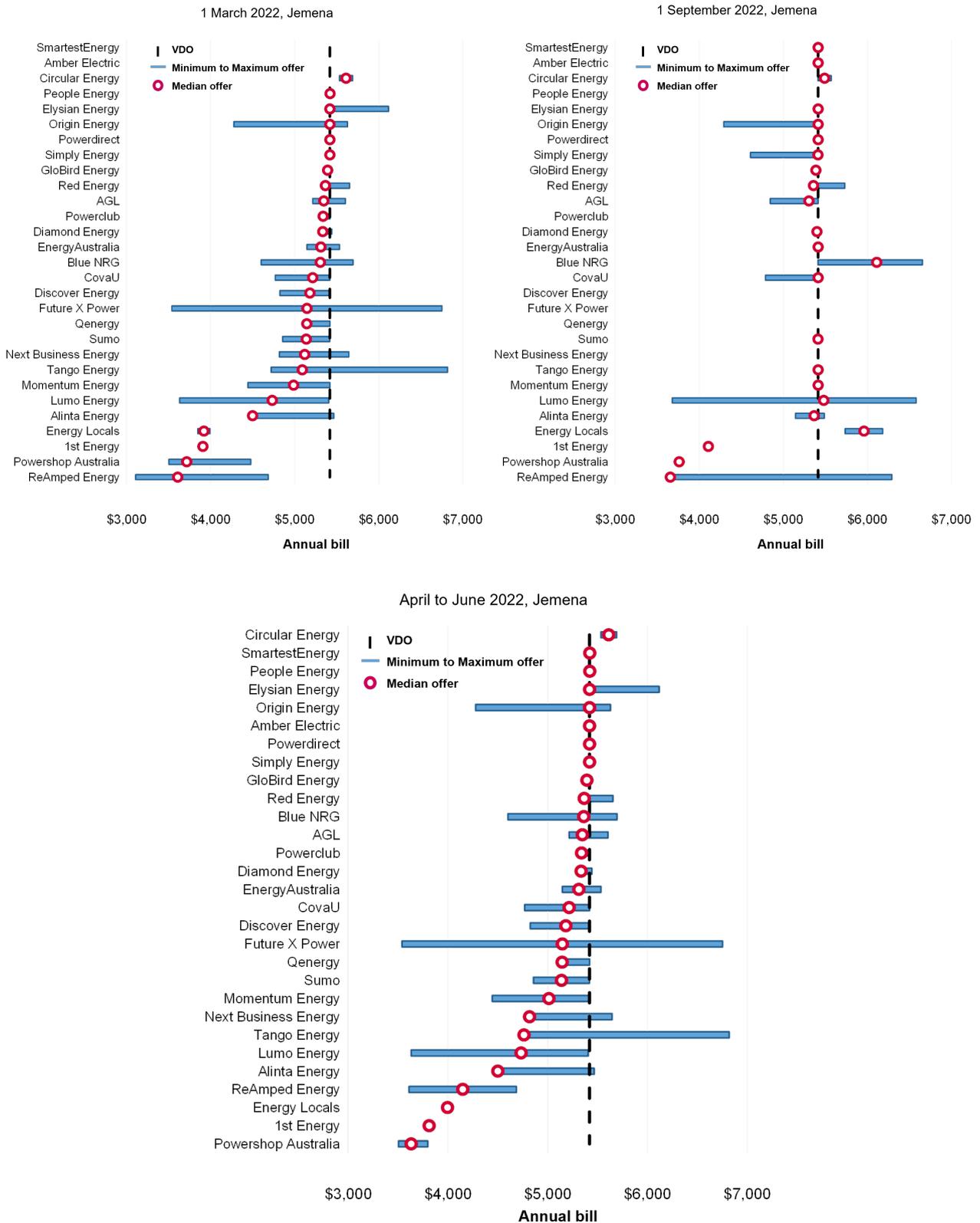
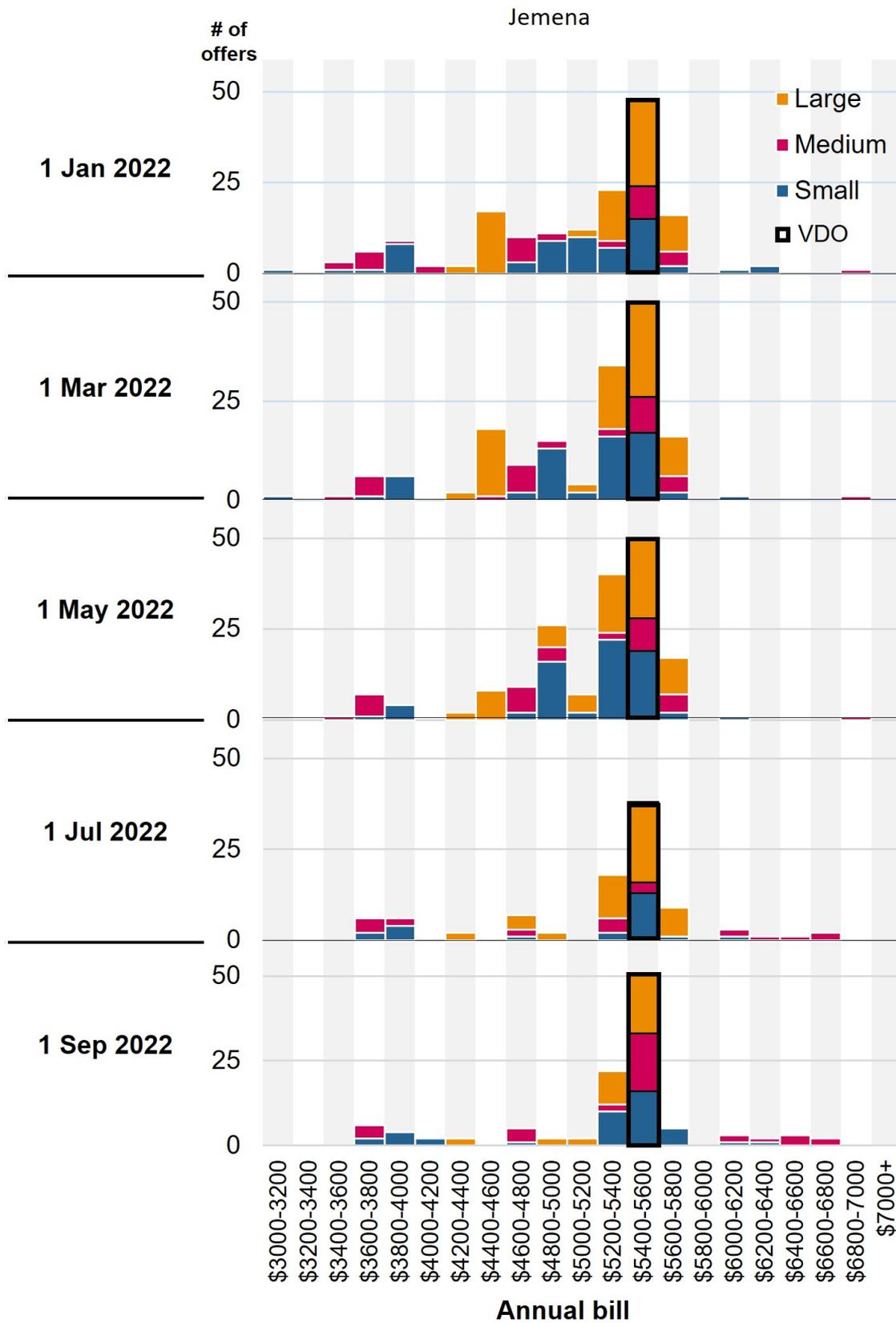


Figure 60: Small business electricity offers, annual bill distribution



Powercor

Figure 61: Median and interquartile ranges of electricity offers and prices paid

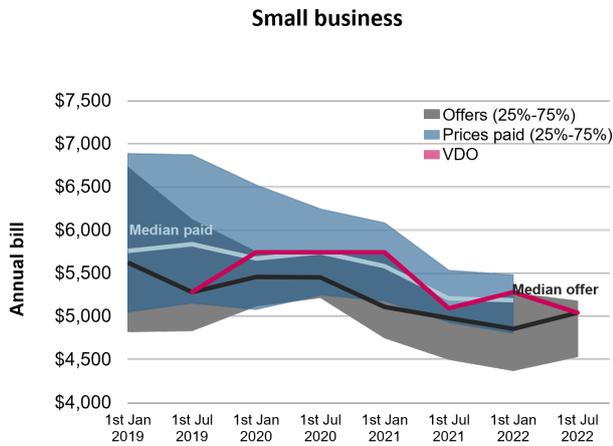


Figure 62: Median electricity offer by retailer size

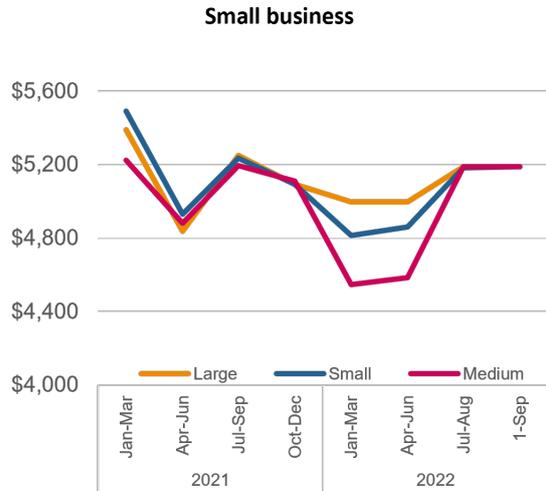


Figure 63: Proportion of electricity offers relative to the VDO

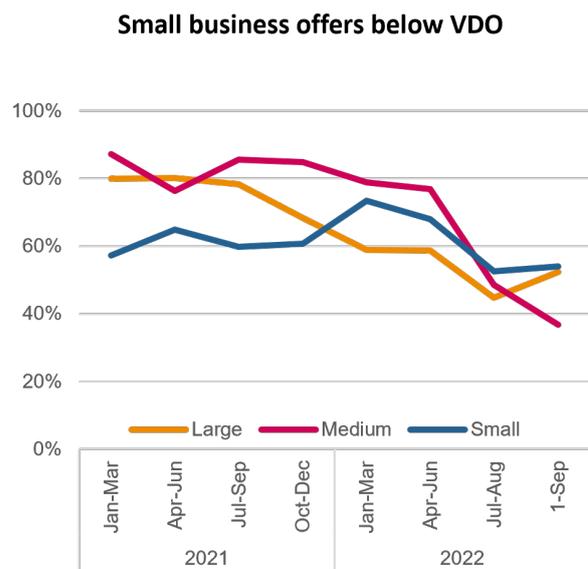
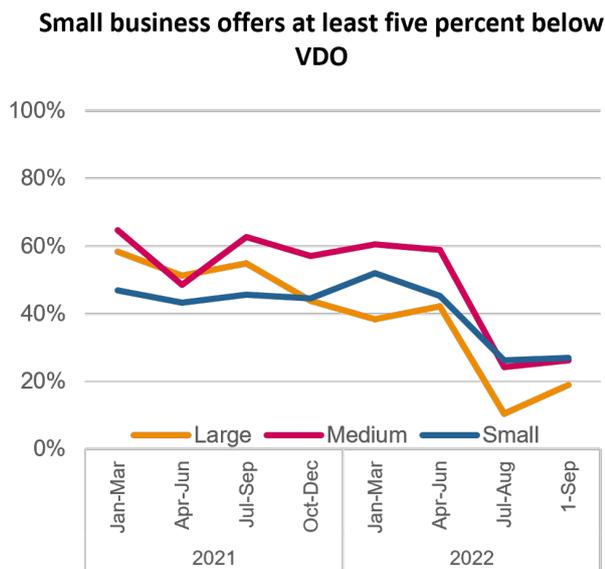


Figure 64: Minimum and maximum electricity offer by retailer, annual bill

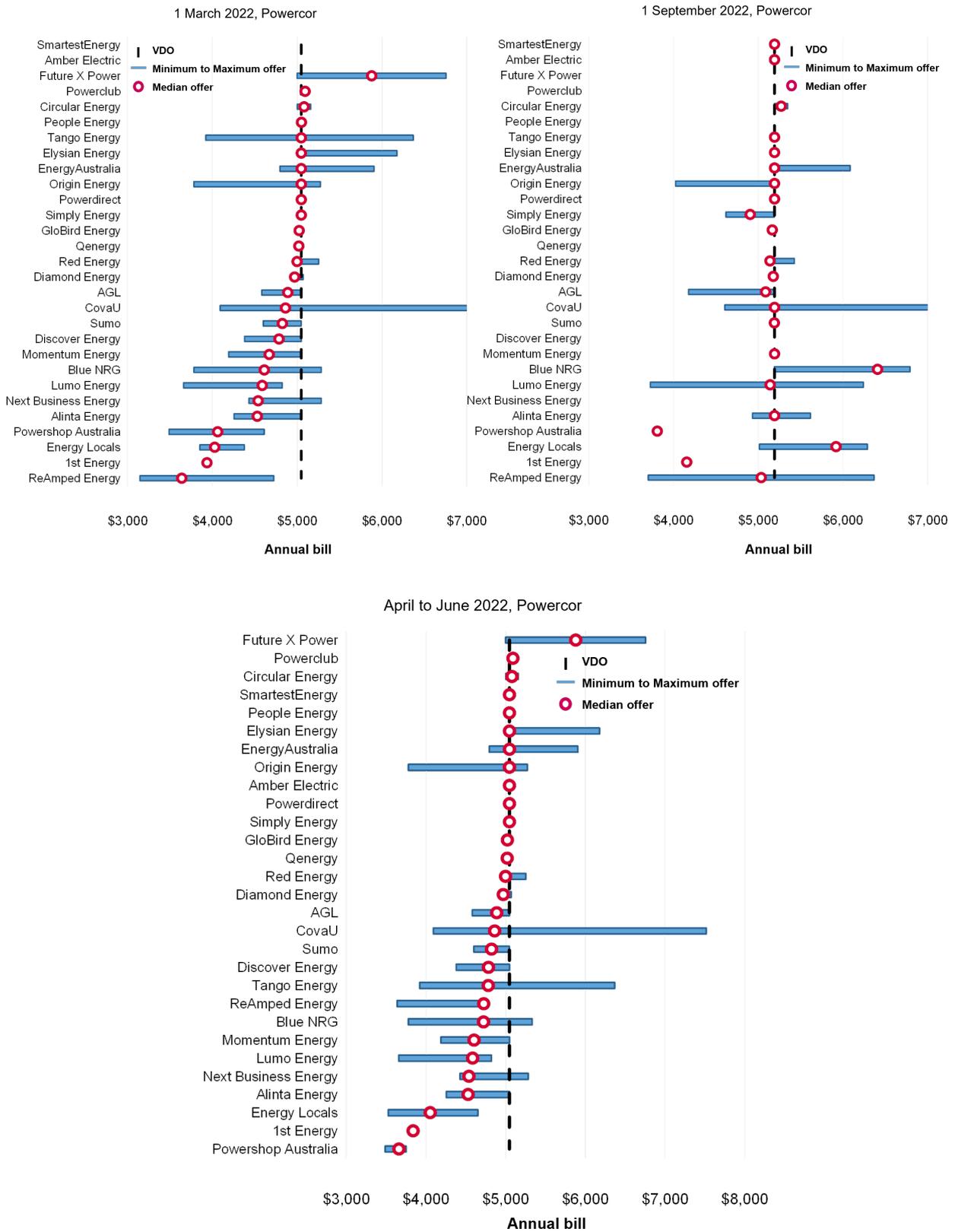
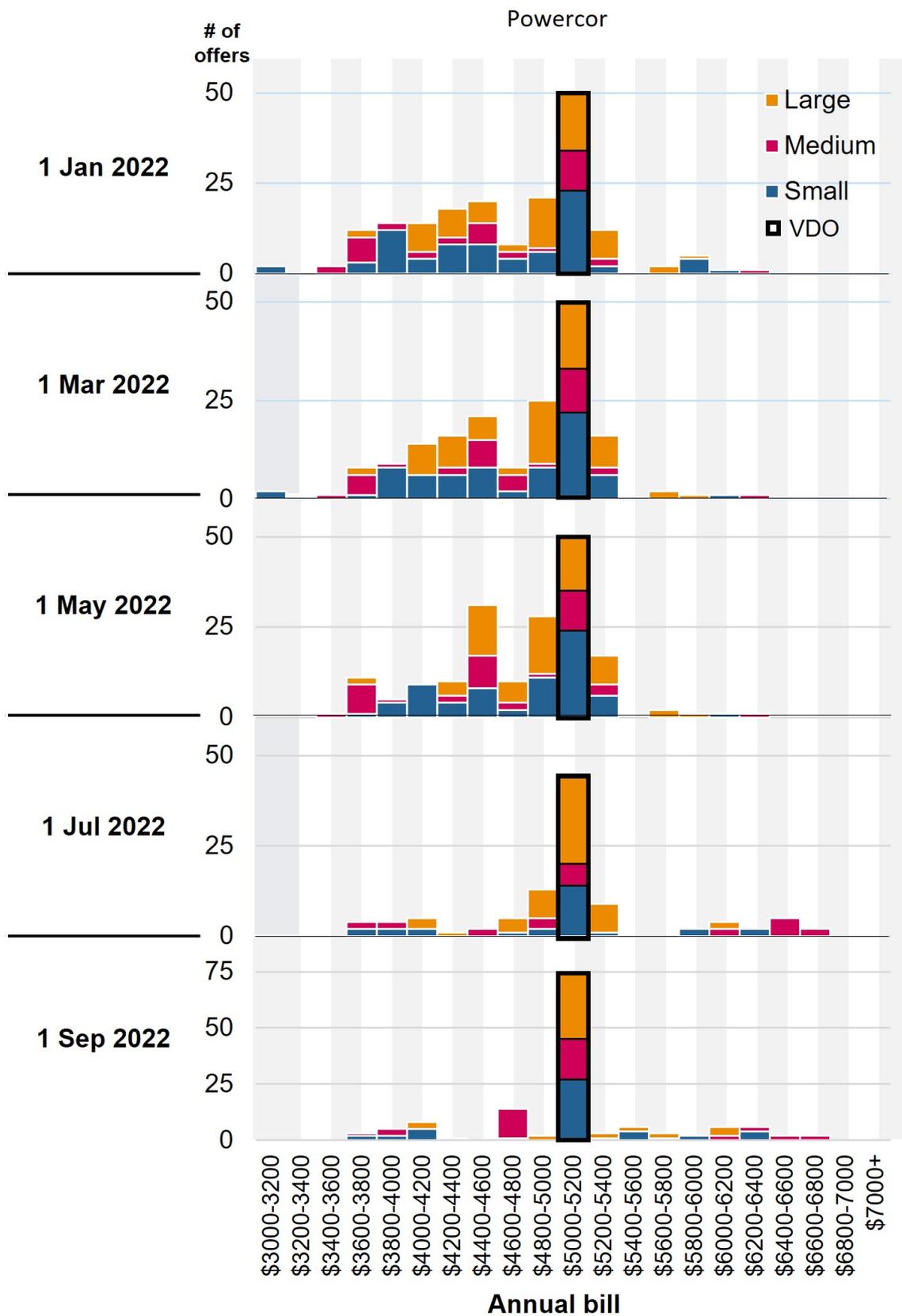


Figure 65: Small business electricity offers, annual bill distribution



United Energy

Figure 66: Median and interquartile ranges of electricity offers and prices paid

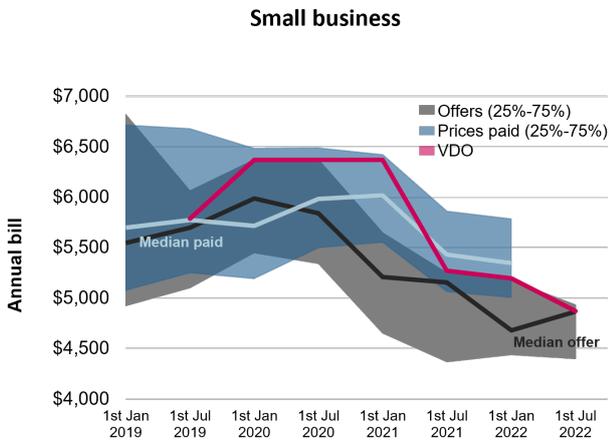


Figure 67: Median electricity offer by retailer size

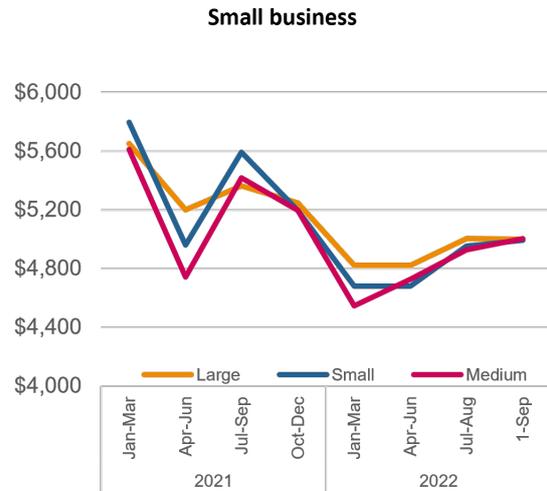


Figure 68: Proportion of electricity offers relative to the VDO

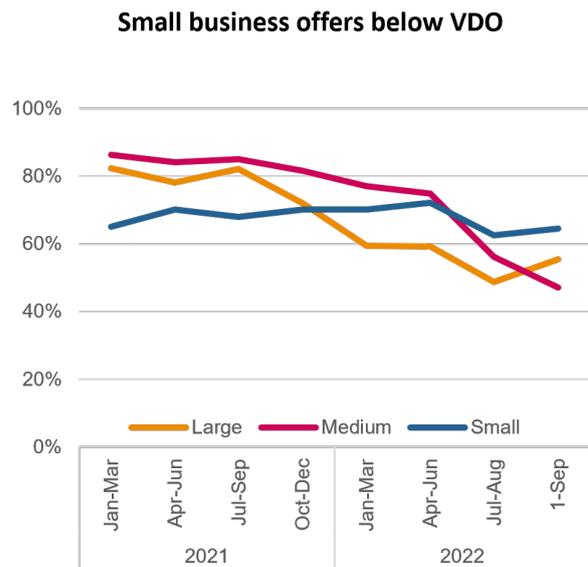
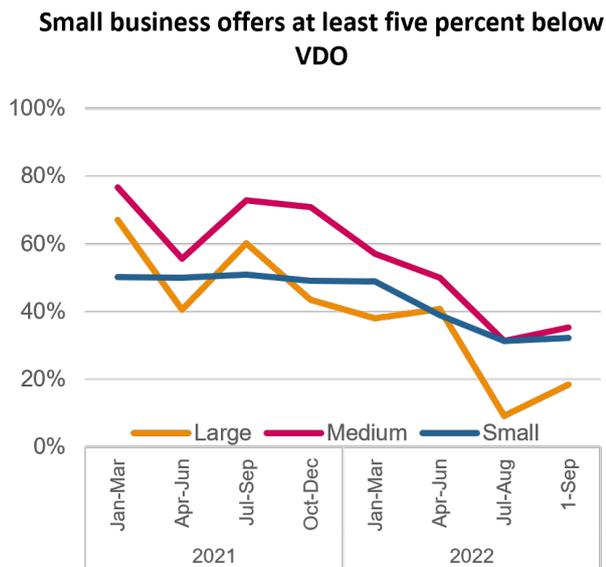


Figure 69: Minimum and maximum electricity offer by retailer, annual bill

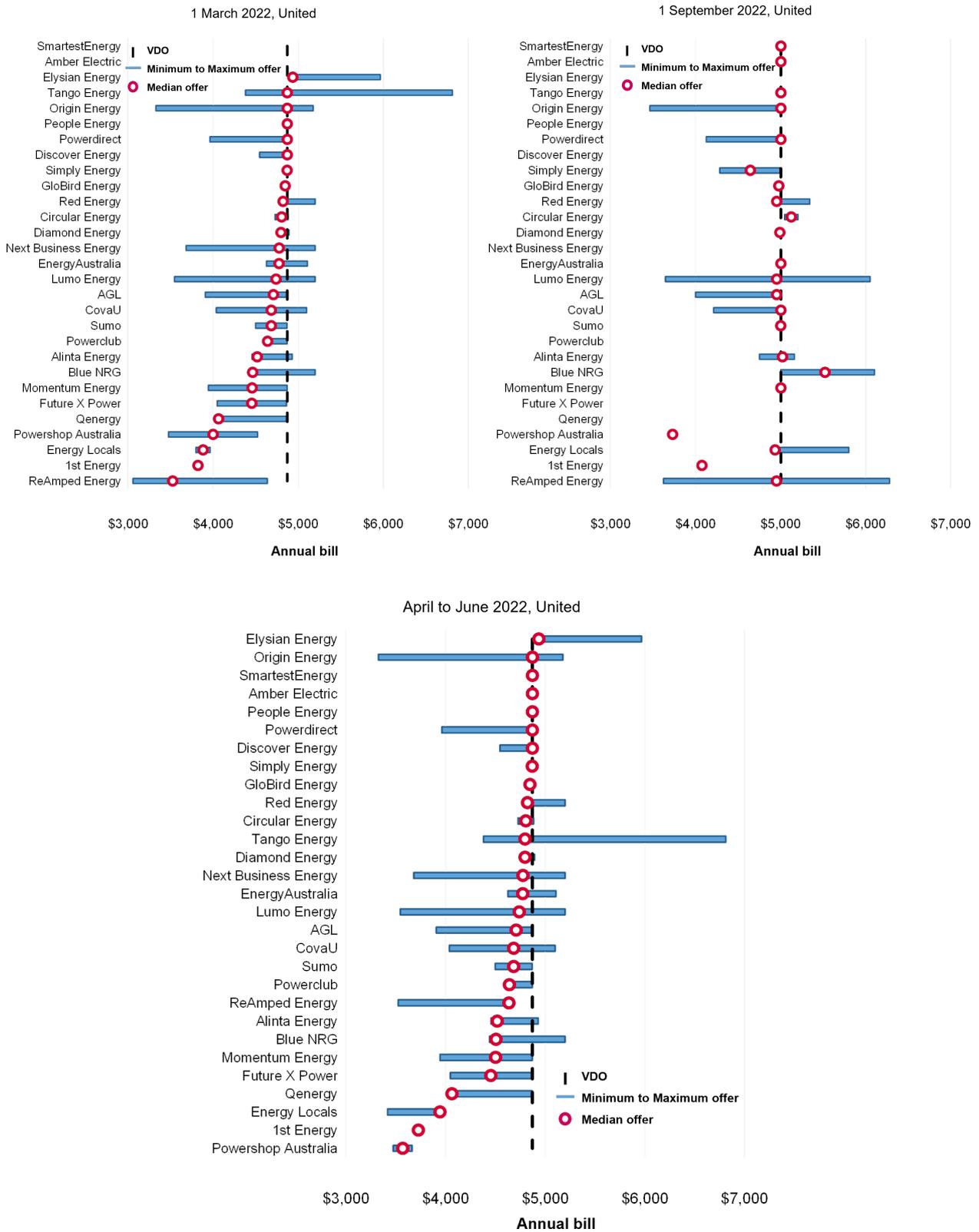
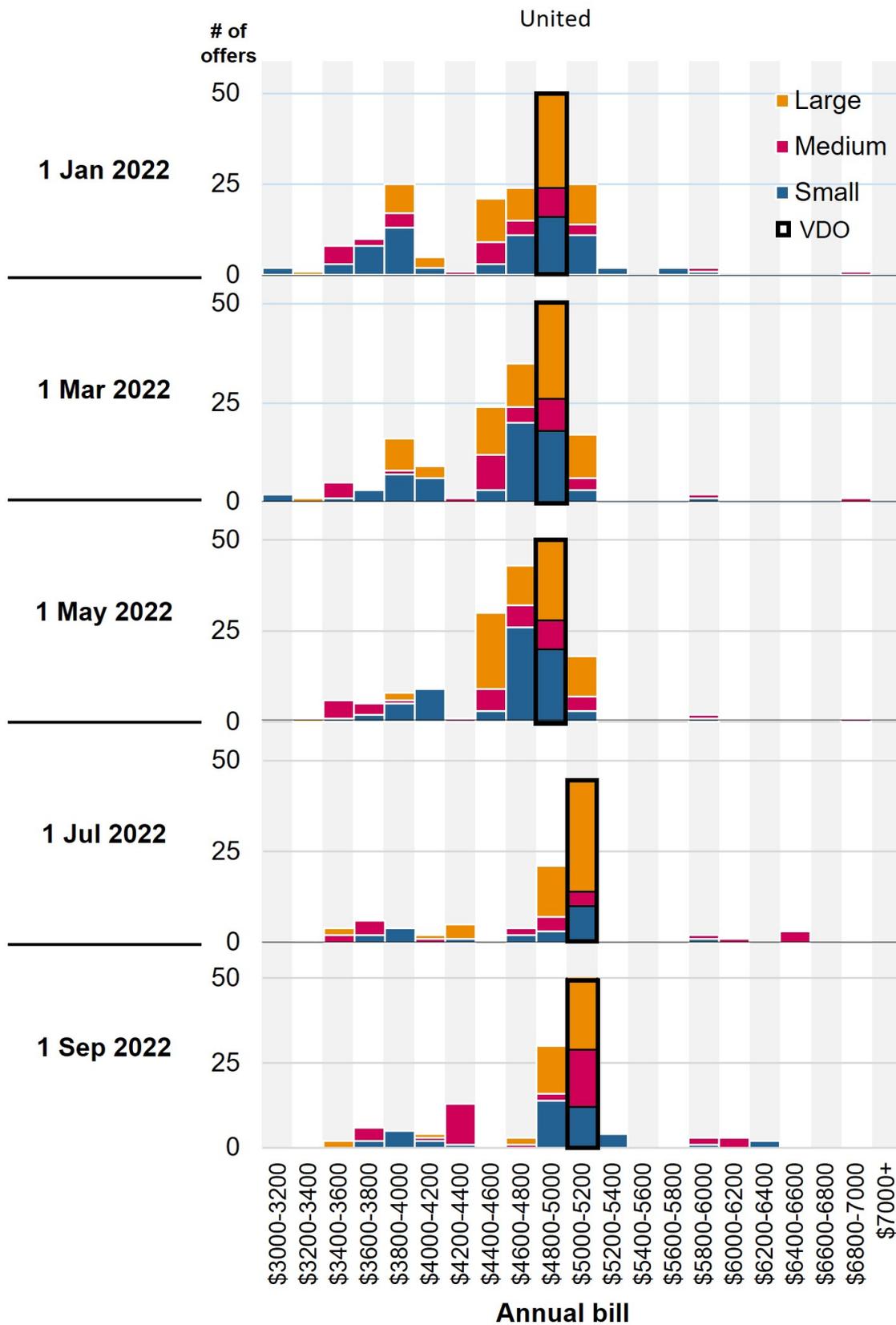


Figure 70: Small business electricity offers, annual bill distribution



Small business gas

AusNet Services

Figure 71: Median and interquartile range of gas offers

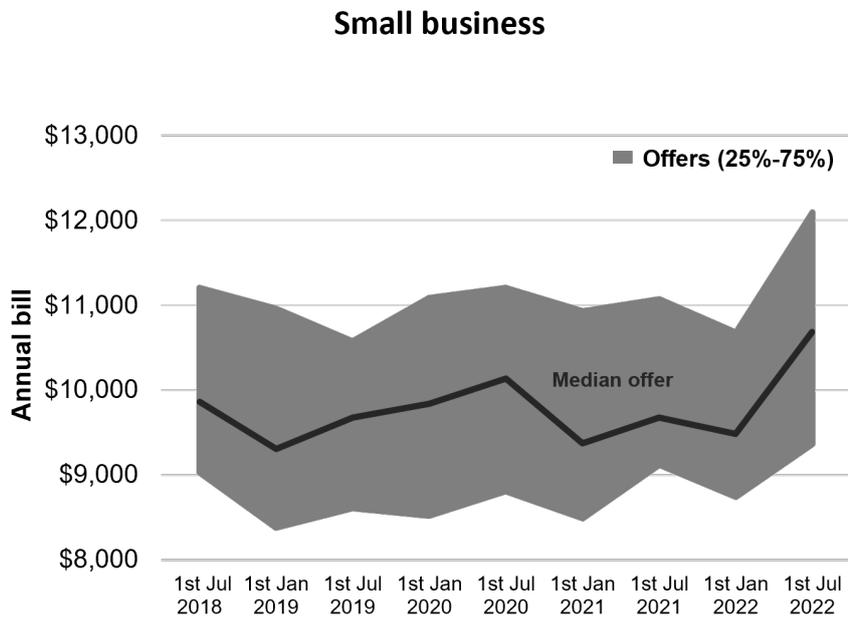


Figure 72: Median gas offer by retailer size

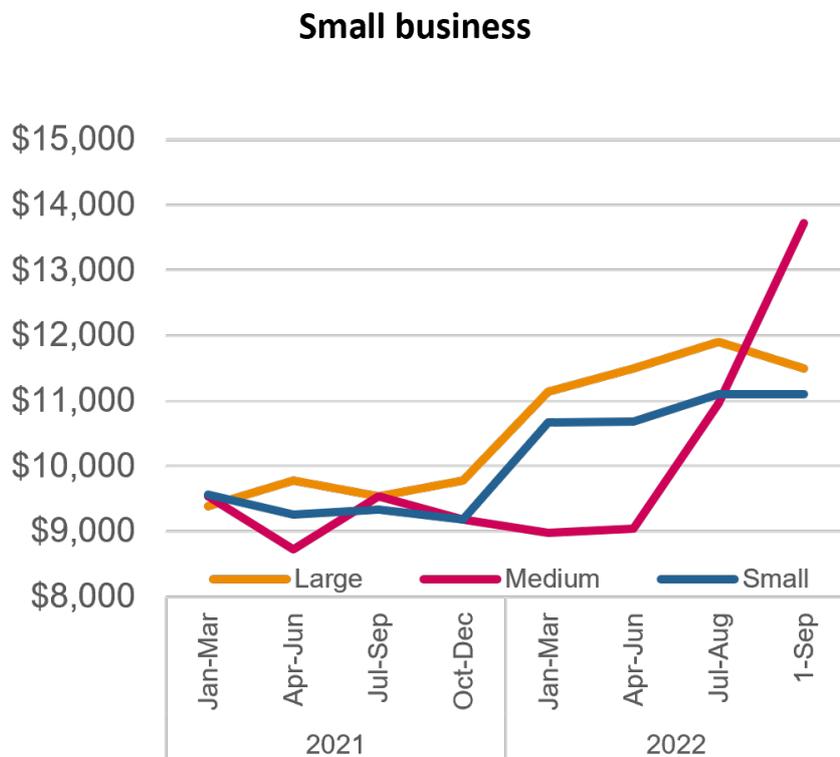


Figure 73: Minimum and maximum gas offer by retailer, annual bill

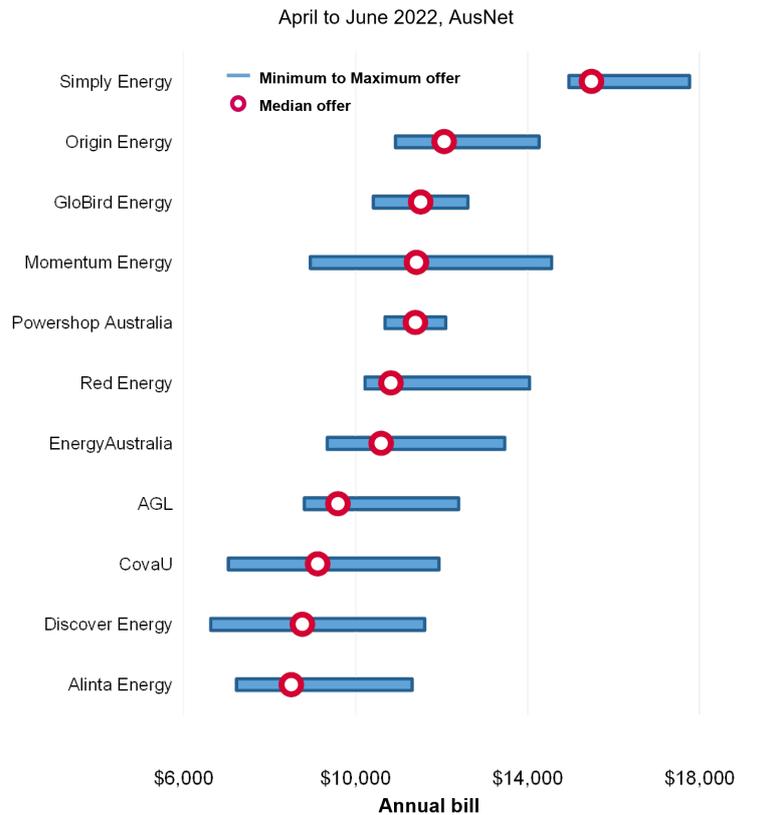
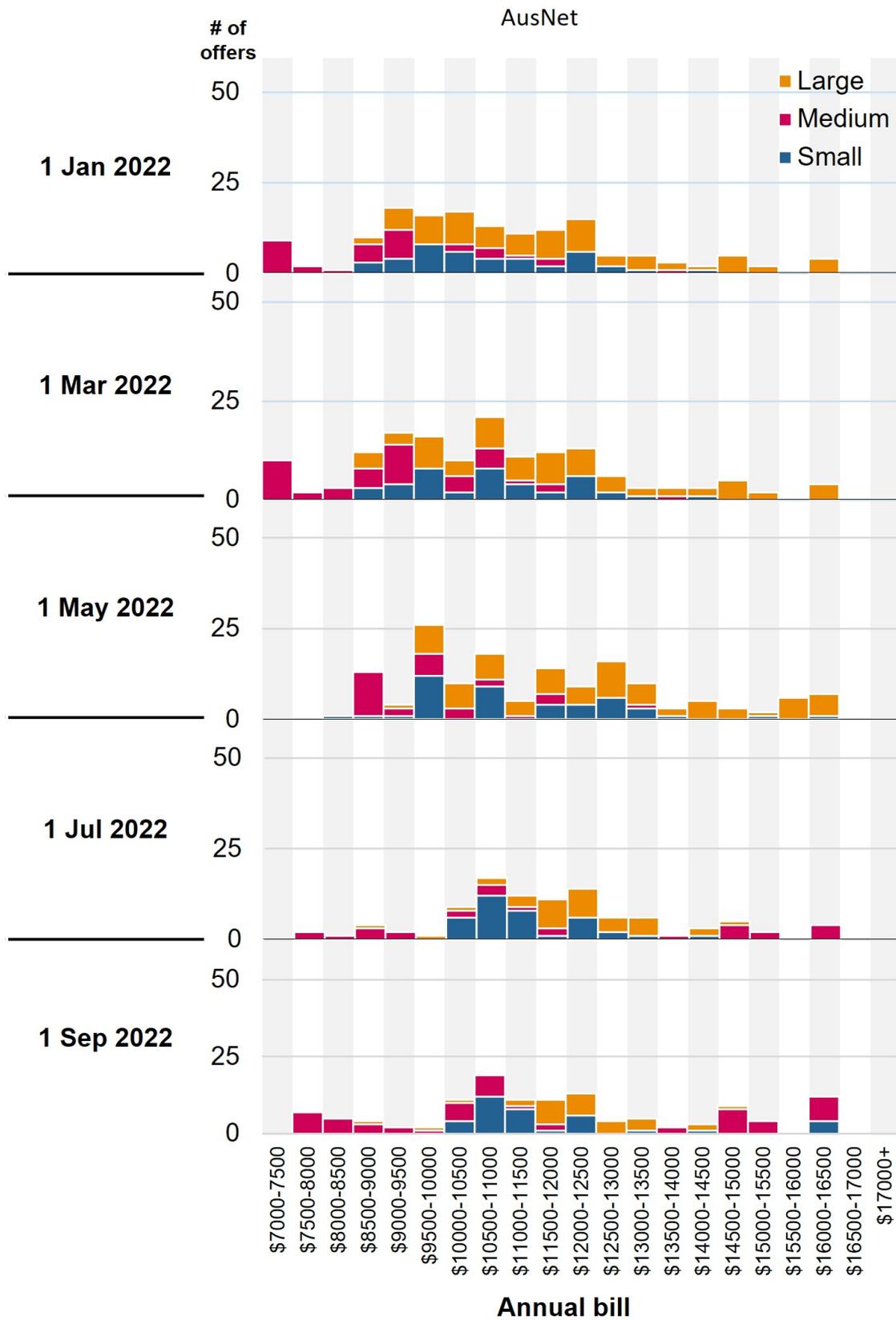


Figure 74: Small business gas offers, annual bill distribution



Australian Gas Networks

Figure 75: Median and interquartile range of gas offers

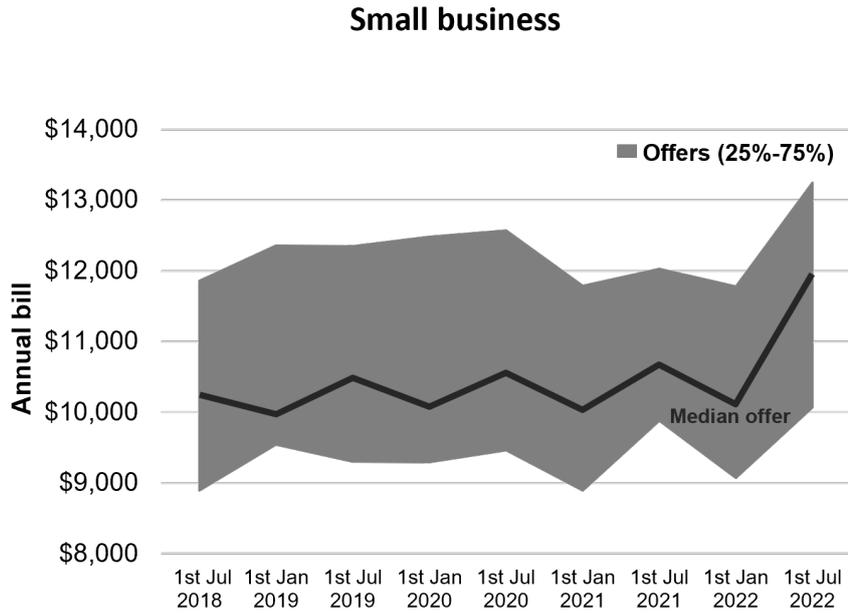


Figure 76: Median gas offer by retailer size

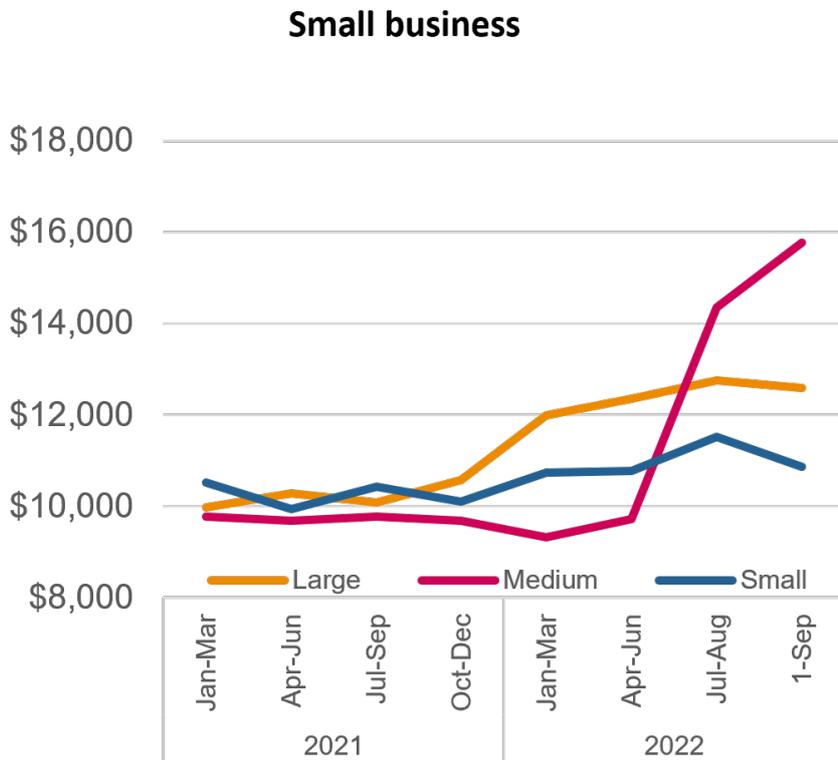


Figure 77: Minimum and maximum gas offer by retailer, annual bill

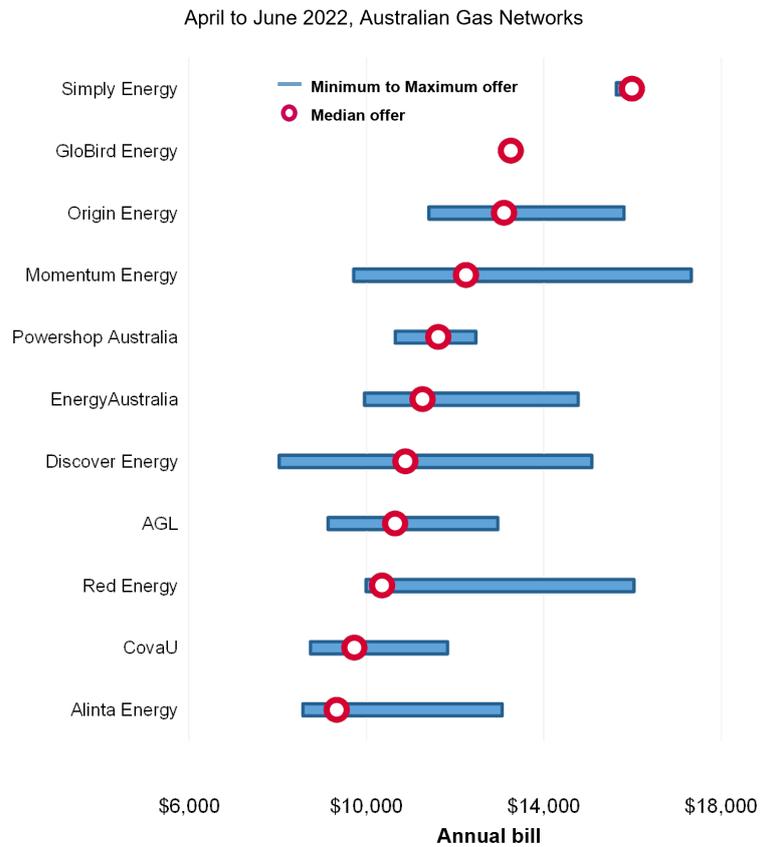
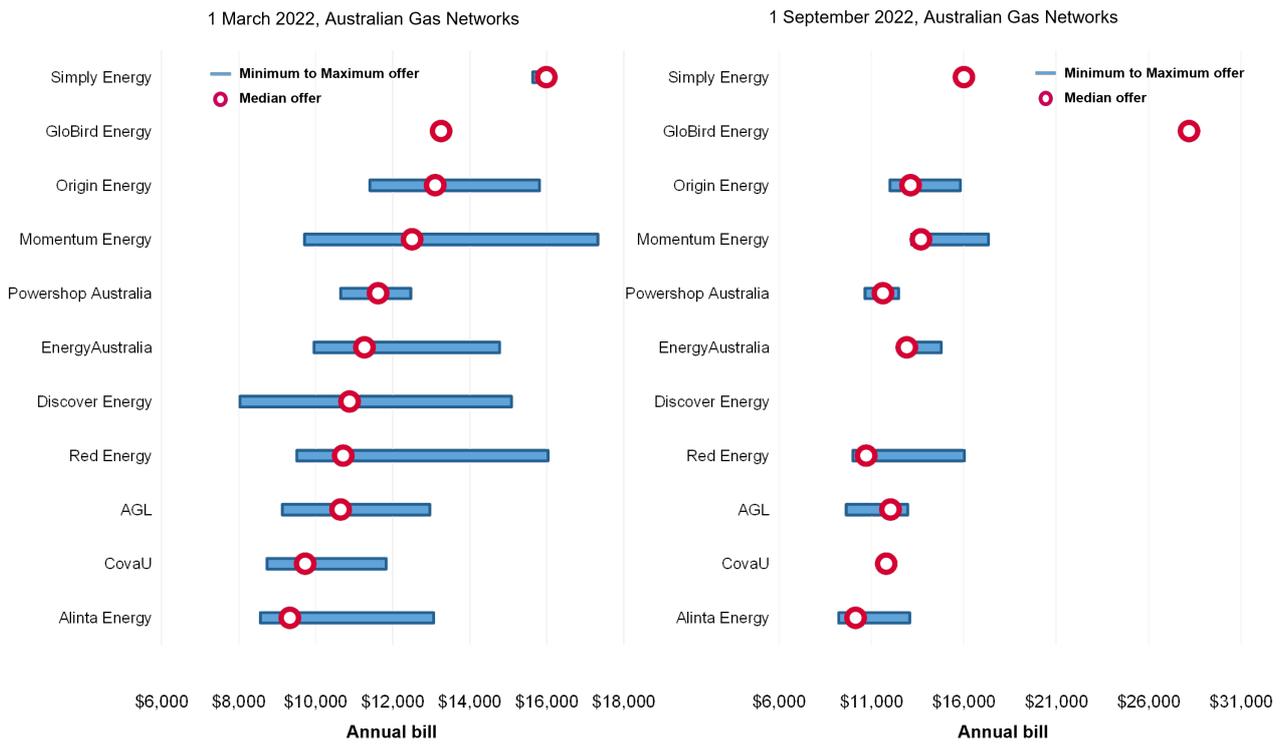


Figure 78: Small business gas offers, annual bill distribution

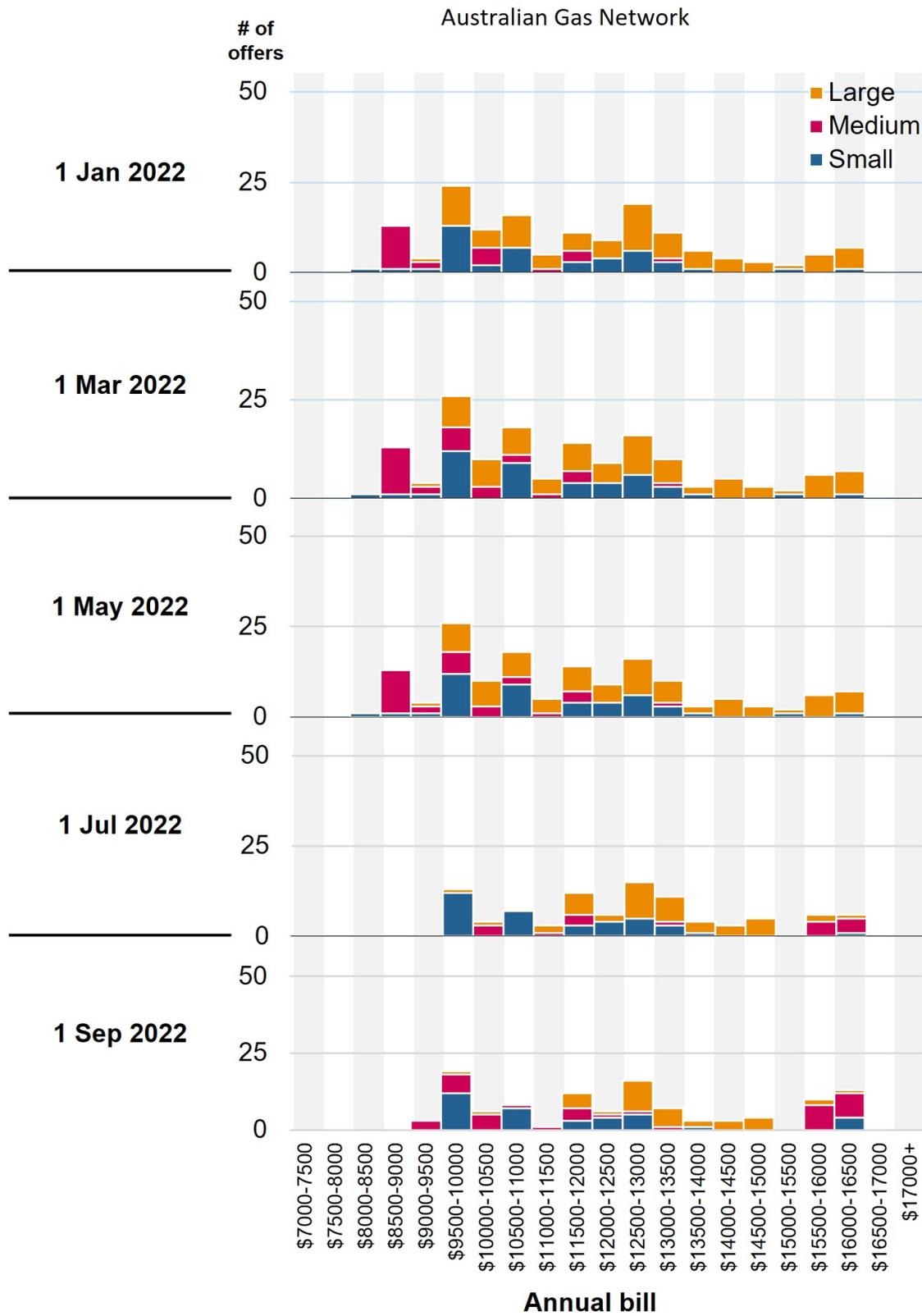


Figure 79: Median and interquartile range of gas offers

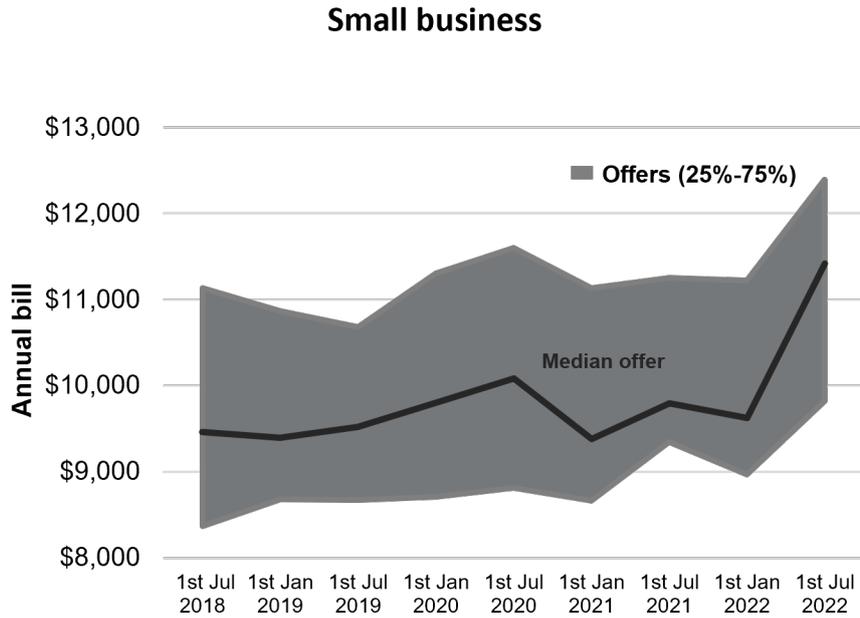


Figure 80: Median gas offer by retailer size

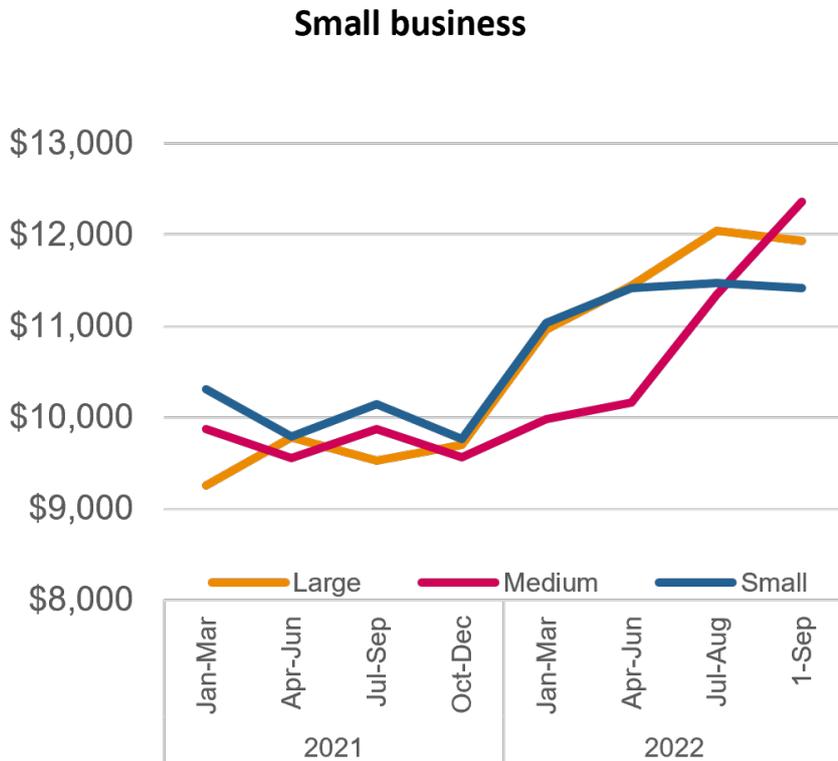


Figure 81: Minimum and maximum gas offer by retailer, annual bill

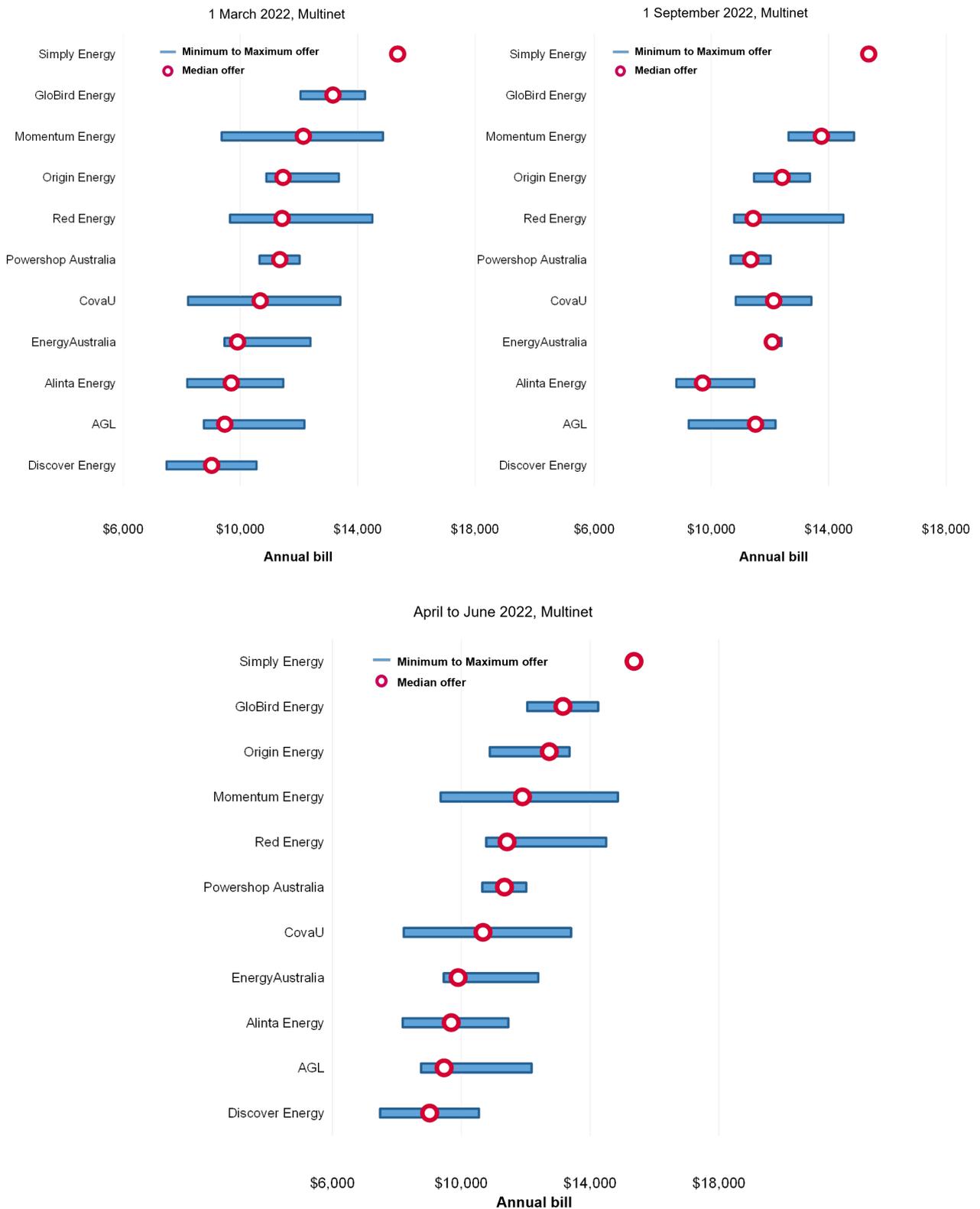


Figure 82: Small business gas offers, annual bill distribution

