

ESC – Victorian Default Offer 2024-25: Draft Decision Paper

Dated 19 March 2024.

Submission to the ESC Victorian Default Offer 2024-25: Draft Decision Paper by Brian and Jill Golland.

19 April 2024

Executive Summary:

A few points need to be made on this Draft Decision Paper:

- a. As a consumer we have always been an Origin Energy customer and believe loyalty is paramount to a good relationship!
- b. From a consumer perspective, the general response to the original ESC paper in December 2023 can be only described as pathetic with a mere 14 groups, bodies or individuals, bothering to put pen to paper! The government should be ashamed in this respect when the media alone is forever attacking and berating all aspects of the industry!
- c. This paper reflects on the same basis points and product costs as previously without any new material or concepts, and appears to be industry driven across the totality of generators, distributors, wholesalers and lastly retailers! This naturally leads to divided profitability across all sectors!
- d. There are no comments as to the increasingly broader base of retailers in the market and the total cost effect that that has on the electricity industry, which is disappointing.
- e. The costs as outlined do not provide for competition and do not recommend any changes,
- f. The final cost statement, although seemingly providing an overall cost reduction to consumers, has manoeuvred costs between Network and Electricity costs with other elements of minor change in the document,
- g. Finally, it is disturbing that the whole concept of a “Default Offer” is misaligned with reality, and seems to be more related to the political agenda of “competition”. Most consumers will find that retailers offer the “HIGHER” “Default Offer” in place of the previous contract with the consumer, and, if this is not discussed or challenged with the retailer, it will become the next contract, when in fact it should not be the case! Retailers continually change their offers to reflect differing pricing, peak and off-peak times and ensure that consumers have some difficulty in finding a choice which suits their situation. Certainly, older consumers are very much disadvantaged by the retailer tactics.

Our General Comments on the Decision Paper as presented:

Again, this paper follows the same arguments and relies on reiterating previous outlines / arguments but fails to make any outstanding or new conclusions which might bring the market into a different process of thought!

Unfortunately, for a paper and decision-making exercise which effects all Victorians utilising the grid, only 14 groups or individuals took up the opportunity to respond, let alone read or attempt to understand, what the ESC is all about, or what might be an outcome directly relating to their billing and usage for the year ahead! This could be called a gross misuse of opportunity!

To maintain that this paper purports to make decisions on this scale, whilst enjoying absolute minimalistic support or comment from the general populous, but adhering to the majority of large scale producers and wholesalers is not what one would expect in 2024!

In discussion with anyone on the street, there is total apathy toward this process and to any decision making as a result, be it that most, if not all individuals, do not know or understand the arguments in relative terms to their own position or usage.

In respect of the general outcomes of this paper it would seem that little regard was taken to pursuing an aspect which many Victorians are familiar with, and have a feeling for, with the grid and the pursuit of its influence on pricing.

Very few understand the “standing offer” concept and most see the market much like the local service station which they attend weekly for fuel. The understanding that switching retailers for better choice or cheaper offers is simply a “ploy” by government and agencies to provide an argument that “choice is in your hands”.... which it is, but it does not stand up to the “pub test” as retailers change pricing within a very short period thereafter, offsetting any perceived gain as offered!

Currently, but not mentioned, are that Victoria has around thirty retailers in the electricity market, with at least another two or more currently seeking approval including a “Tesla” looking to carve up the market even more in the next short while. This is not what the market (ie consumers) want to see.

There is one market, and the only avenue to new customers is by taking customers from a rival!

Thus, if we are to take that further, each and everyone need to have margins on cost, profit, staff and significant asides like insurance etc. We are not sure that these multiples have been taken into account in respect of the current analysis and decision.

To make matters worse, there are only a handful of distributors/wholesalers managing the smart meters and working the grid, doing all the hard yards to provide the retailers, at the end of period, a load of data for each customer, which the retailer only has to drop into a billing system and collect the revenue!

The basis of this “market driven system” is, or should be, a focal point for government and the ESC/ACCC to review.

Consider why local government was amalgamated years ago to reduce costs and overheads!!

Our Retail Experience as a consumer!

We as consumers, have always taken a position of frank discussion with our retailer whenever we are notified in advance of a change in pricing or mechanism affecting our supply.

Our discussions “always” result in a more favourable outcome from that which was presented in the original notification.

We constantly monitor on a daily basis our supply, costs and affect produced by the day in question as it changes our usage.

As we receive our bill every three months we are able to verify to within a few dollars that we are correctly billed, that concessions or discounts are applied correctly and that rates as agreed have been applied.

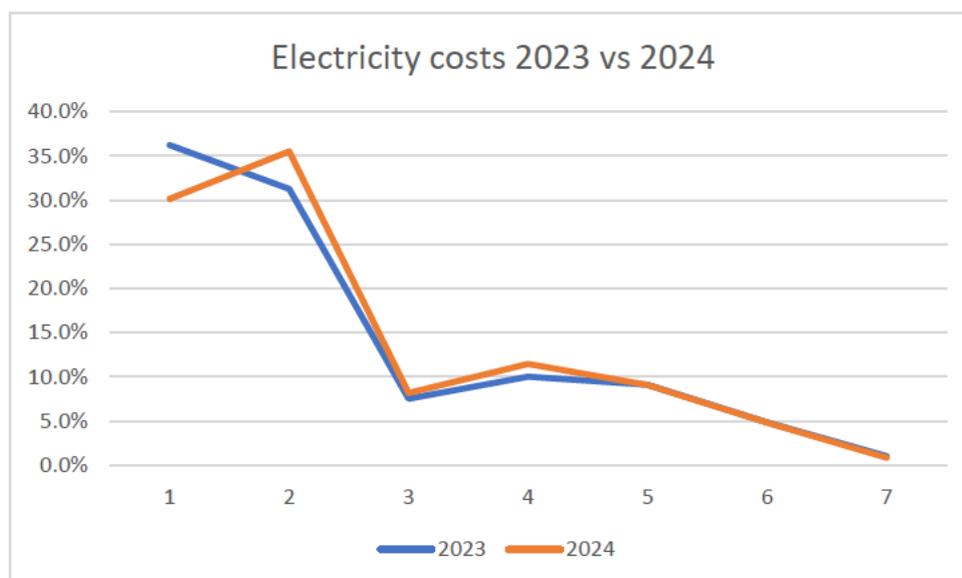
We have many times contacted our supplier with discrepancies on figures, concessions and discounts, and even the billing invoice presentation details as they apply to a “normal” person reading same for clarity!

Quite a number of times we have needed to contact and apply for mediation in pursuance of our point with the Ombudsman, to ensure the issue is settled to our satisfaction, which has always been our experience to date!

Pricing as it applies in Table D.2 Changes in domestic costs benchmarks....

Reviewing this table, it appears that some disparities appear and whilst the total estimated costs for the default offer are reduced by \$112 or 6.38%, the costs have escalated on Network Costs by \$34 or 6.2% and Retail Operating costs have risen by \$12 or 6.8%.

So, we are seeing wholesale electricity costs reduced by \$141 or a whopping 22.2% to pay for the total cost reduction at the expense of network costs. As seen below!



1. Wholesale electricity costs

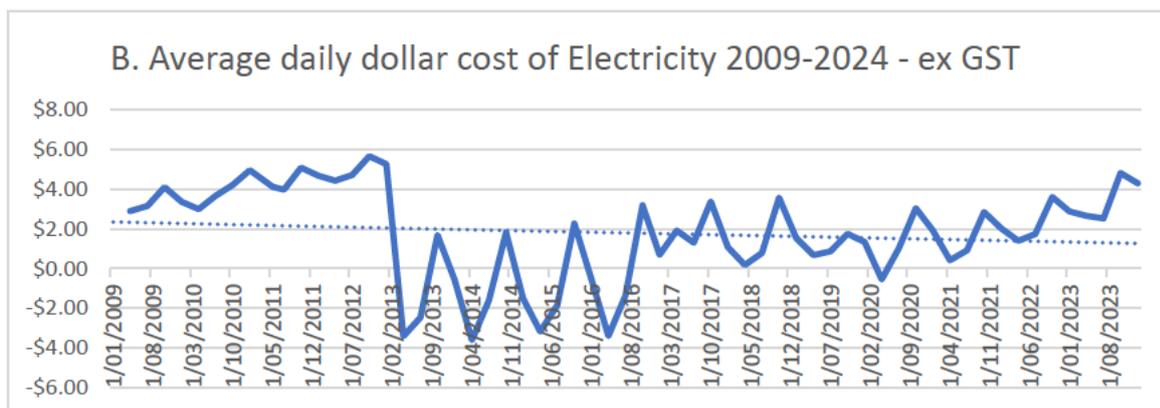
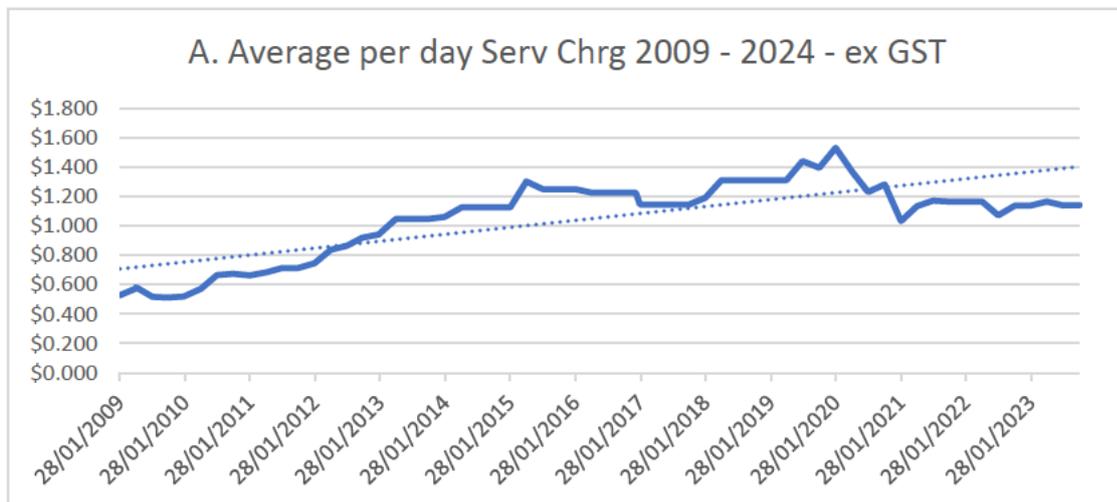
2. Network costs
3. Environmental costs
4. Retail operating costs
5. GST
6. Retail operating margin
7. Other costs

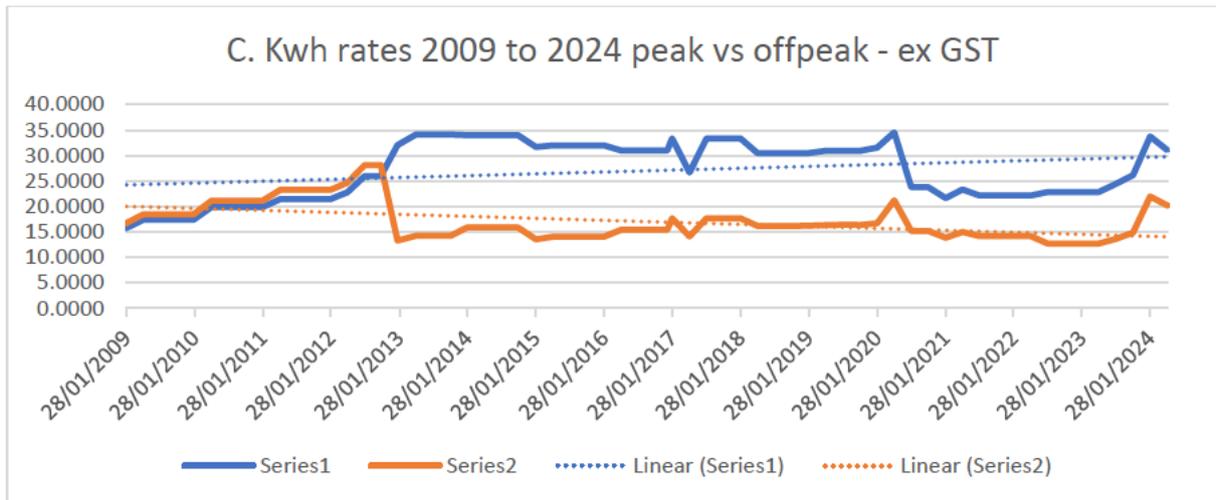
Our personal costs represented in the period 2009 thru 2024

As can be seen below:

(In all our costings we have maintained a "ex GST" cost in order to ensure equitability across periods)

- a. Average per day service or supply charge has risen to near 3 times 2009 in 2020 before dropping in 2021-24
- b. Our average daily dollar costs of electricity was rising substantially until we invested in solar in 2012 (5Kw), lowering our costs before changes caused our costs to increase to those of 2011 etc.
- c. Kwh rates in the third graph indicate that peak rates have remained under 35c but are increasing slowly, whilst off peak rates are around 15-20c and decreasing as evidenced by the trend lines.





As in the past we trust that this document can be viewed with real consideration in the current decision making although we do appreciate that changing the basis of the general argument in final draft as it is, would probably not be realistic at this late stage.

With kind regards,

Brian and Jill Golland, [REDACTED]