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The Victorian Energy Market Report 2018–19 meets our reporting obligations under Sections 54V and 54W of the *Essential Services Commission Act 2001*, Section 39A of the *Electricity Industry Act 2000* and Section 47 of the *Gas Industry Act 2001*.

Note: Some figures may not add up precisely due to rounding.

Amendment made on 29 November 2019: EnergyAustralia incorrectly identified as Origin Energy, pg.25.

Prices over 2018–19 for electricity and gas have stabilised compared to the previous year.

More customers accessed assistance and received support from their retailer earlier to pay their bills.

This fourth annual Victorian energy market report outlines new rules being rolled out to rebuild Victoria's confidence in the energy retail market.



From the Chairperson



Kate Symons

Chairperson

Kate was appointed chairperson of the Essential Services Commission in September 2019 after three years as a part-time commissioner. As a lawyer with qualifications in public administration and corporate governance, Kate brings particular expertise in risk, compliance and governance.

Kate has a passion for ensuring customer experiences are considered at every step of the regulatory process.

This edition of the Victorian Energy Market Report looks into the performance of the market when it comes to the retail energy prices customers are paying, the level of service from energy businesses, and the experience of customers facing or anticipating payment difficulty.

Energy prices stabilised in 2018–19

For the first time, we used our statutory data collection powers and found the average yearly cost of electricity remained relatively stable over the past year.

An average household (using 4,000 kWh) paid \$1,298 in 2017–18 and \$1,284 in 2018–19 for electricity.

We found that while 84 per cent of residential customers were on plans that offered conditional discounts, nearly one fifth (18 per cent) of these did not meet the conditions necessary.

This added on average, an extra \$188 to their annual bill.

Among other factors, these findings continue to highlight the need for making retail contracts clearer and fairer for customers from July 2020.

Energy offers are becoming clearer

We continued to review energy offers published by retailers on 30 June 2019.

We noticed that retailers were offering fewer conditional discounted electricity market offers, and the discounts on offer were smaller.

Despite this, the average price of published discounted offers, when conditions were met, was unchanged.

This was a welcome response in the lead-up to new reforms which commenced on 1 July 2019.

This included Victorian Default Offer, a simple and trusted price for electricity, and new 'best offer' messages requiring retailers to tell you if you're on their best deal for you.

Greater transparency in how energy offers are advertised and providing clear advice to customers before they sign up to an energy deal have also been embedded in new energy rules.



More customers getting help

Since the introduction of new entitlements for energy customers facing or anticipating payment difficulty, there has been an increase in customers receiving assistance under the new framework.

From 1 January 2019, the number of electricity customers receiving help rose from around 48,500 to over 64,500.

At the same time, we have seen a marked decrease in customers being disconnected for not paying energy bills.

Disconnections are 34 per cent lower than in 2017-18 and almost 22,000 fewer disconnections than the highest levels recorded in 2013-14.

These are a positive sign that more customers are getting the help they are entitled to earlier to ensure disconnection is only ever a last resort.

We are concerned however, that over half of customers disconnected since 1 January are not getting the assistance they're entitled to. We are following up on this data and will report further on this in the new year.

We are still in the early stages of the framework which has been in place for less than a year.

We are speaking directly to customers and their advocates to find out how regulatory reforms are affecting the customer experience.

While we have seen some positive signs, this is not consistent across the market, or within some businesses.

Every customer is different, and it is important for us to understand the varied ways customers interact with their energy retailer.

To do this, we will continue listening to customers throughout 2019–20 about their experiences when seeking support in the energy market.

Restoring customer confidence and trust in the market

We are holding businesses to account with the aim of restoring confidence and trust in the market.

In 2018–19, we issued \$390,000 in penalty notices to energy retailers and distributors for failing to maintain customer protections.

We had a concerted focus on compliance throughout the year, extending our audit program of distributors and retailers.

We resolved 23 wrongful disconnection disputes referred to us by the Energy and Water Ombudsman (Victoria) resulting in over \$280,000 compensation being paid to affected customers.

We supported new entrants into the market by issuing 23 new energy licences including 12 new generators comprised of five solar farms, six wind farms and one landfill gas generator.

This report is designed to give the reader real insight about what is happening in the market, from a customer perspective.

After exercising our data collection powers for the first time, we have been able to present data direct from retailers about what customers are paying for their energy.

This is a real step forward for transparency about what is happening in the market.

We will take another step forward over the next year as we develop a framework for assessing the competitiveness and efficiency of the market.

The framework is all about helping the Victorian energy retail market deliver benefits to consumers by providing value for money for energy prices and great customer service.

I look forward to continuing to deliver those benefits to you, the customers, over the next year.

Kate Symons

Commissioner and Chairperson

Key Findings 2018-19

Energy Prices

ELECTRICITY



\$386

you could pay

for not meeting discounts on your electricity bill. We found on average the cost to customers of not meeting your **discount was \$188**



3% increase

in electricity prices – standing offer prices

85%

of electricity customers are on discount offers

75%

of electricity discounts are pay on time discounts

1 in 5

electricity customers missed at least one of their conditional offers

1 in 3 offers

have 'no discounts' and **30 per cent decrease** in the number of offers with high discount offers



GAS



ELECTRICITY & GAS

\$282 max. average price

for not meeting discounts on your gas bill



1-3% increase

in the price of no discount/unconditional market offers



1% increase

in gas prices – standing offer prices

No change

in the price discounted market offers

Payment Difficulties

Payment difficulty framework –
data collected from
1 January 2019

GAS



\$1,042

average arrears

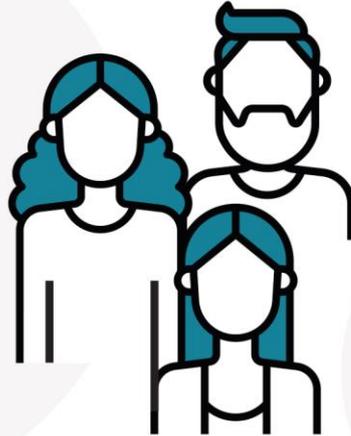
average arrears of gas customers receiving tailored assistance **who couldn't cover their ongoing use**

58%

of customers that are receiving assistance **are not covering their ongoing use**

46,975

number of gas customers receiving tailored assistance (average)



64%

of gas customers entering tailored assistance commenced **with less than \$500 in arrears**

ELECTRICITY



64,508

number of electricity customers receiving tailored assistance (average)

55%

of electricity customers entering tailored assistance commenced **with less than \$500 in arrears**



\$1,366

average arrears

of electricity customers receiving tailored assistance **who couldn't cover their ongoing use**

57%

of customers that are receiving assistance **are not covering their ongoing use**

Disconnections, utility relief grants, and compliance with the energy rules

ELECTRICITY & GAS



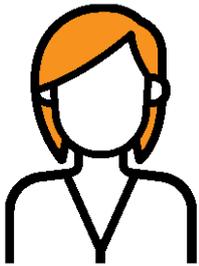
DISCONNECTIONS

\$797,176

amount paid
to customers who were
wrongfully disconnected

36,729

residential disconnections
for non-payment



1 in 2
customers

disconnected for non-payment
did not receive assistance
within the six months prior
to disconnection
(from 1 January 2019)



484
customers

were
wrongfully
disconnected

COMPLIANCE WITH ENERGY RULES



\$350,000

in penalties paid

by **distributors** for failing
to notify customers
of planned outages

UTILITY RELIEF GRANTS



29,108

utility relief grants

were paid to customers
of up to \$650



\$40,000

in penalties paid

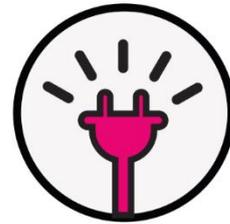
by **retailers**

LICENSING

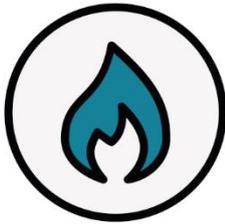
23 energy licences issued



4 wholesale licences



4 electricity retail licences



3 gas retail licences



12 new generation licences

CUSTOMER SERVICE



2.9

complaints

per 100 electricity customers

2.2

complaints

per 100 gas customers

55 seconds

average wait time for customer calls to be answered

55



Contents

From the Chairperson	4
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An overview of the Victorian energy market

How is my energy supplied?	12
Who can sell or deliver gas and electricity?	15

Regulating the energy sector in Victoria

Changes to the way customers experience the energy market	17
What rule changes have we made in 2018–19	19
What's happening in 2019–20	21

Performance of energy businesses

Which retailers had the greatest changes in customer numbers in 2017–18?	25
How well did my retailer provide customer service?	31
How reliable is the energy delivered by my distributor?	35

Energy retail products and prices

What type of energy products are available in the market?	39
How have we analysed offers in the energy market?	41
What have customers paid for their electricity bills?	42
Have the average prices of published energy offers changed in 2018–19	48
How can I compare the range of energy offers available in the market?	52
Have discounting practices changed for energy offers available in the market?	60

Payment difficulties and disconnection

Having trouble paying your bills?	69
How many customers were disconnected?	83

Complying with the energy rules

Are energy businesses following the rules?	88
--------------------------------------------	----

Retailer profiles

Retailer profiles are available for download on our website.

Data appendices

Appendices containing data on the performance of energy companies and energy retail pricing and products are available for download on our website.



An overview of the Victorian energy market

Introducing how energy is supplied
to you in the Victorian energy market

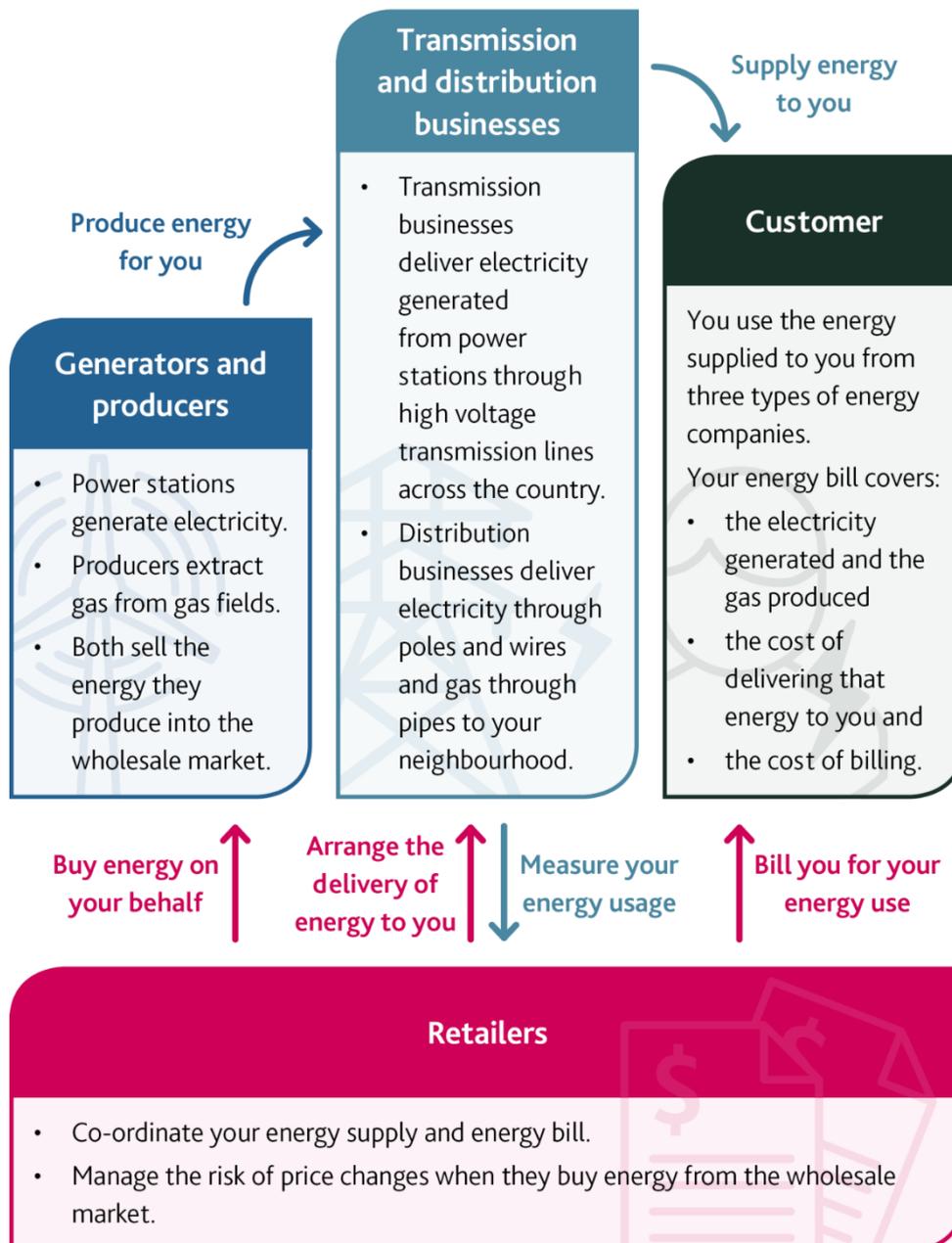


How is my energy supplied?

Your electricity and gas are supplied by three different types of energy businesses: generators and producers, transmitters and distributors, and energy retailers.

The figure below shows how different energy businesses interact to provide you with energy.

Figure 1.1 An illustration of how energy is supplied to you





Generators and producers

In Victoria, most of the energy we use is generated or produced at a large-scale and then distributed through electricity networks or gas pipelines to your home or business.

Electricity is mainly produced by power stations from sources including coal, wind, sun, water and gas.

Large-scale generators are required to operate with a licence in Victoria, unless exempt under the rules. Licensed businesses can generate and sell electricity directly to energy retailers through the wholesale electricity market.

Increasingly, customers are generating their own electricity through solar panels or even small-scale wind turbines. According to the Clean Energy Regulator there are more than 421,000 small-scale solar PV installations in Victoria.

Gas is extracted by producers who sell it through the wholesale market or bilateral contracts. The gas is transported through transmission and distribution pipelines to homes and businesses.

Transmission and distribution businesses

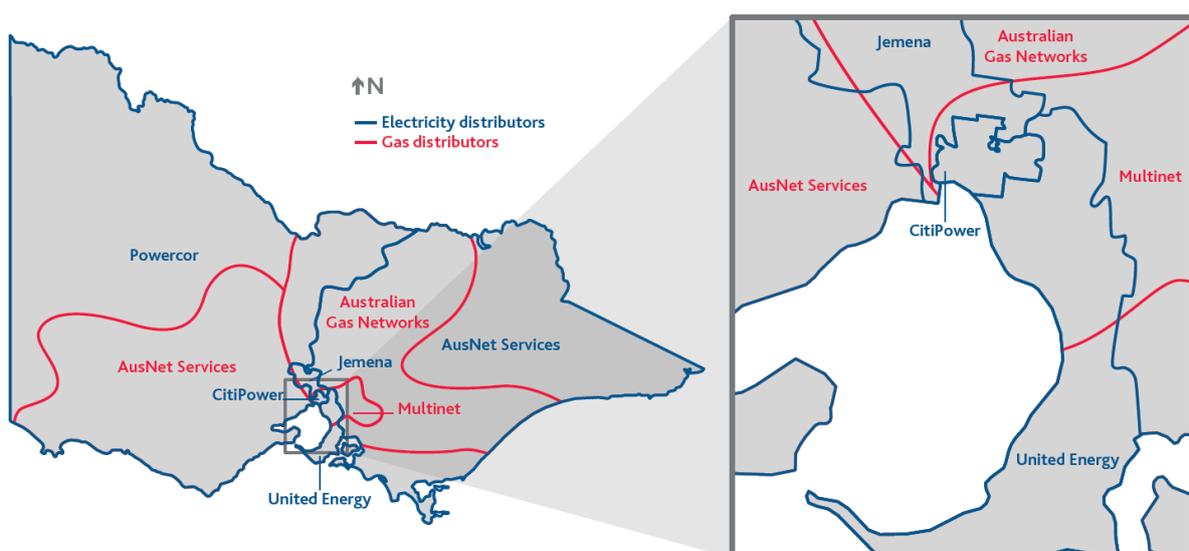
Energy is supplied to your home by a different business to the one that bills you for energy. The businesses that deliver your energy through pipes, poles and wires are called distributors.

Distributors measure the amount of energy each customer uses, and pass that on to the retailers.

They charge your retailer for the cost of delivering energy to your home. Retailers use this information to calculate and issue your bill.

There are five electricity distributors and three gas distributors that own and operate the energy network in Victoria. These distributors operate in different parts of the state (figure 1.2).

Figure 1.2 Electricity and gas distribution areas in Victoria



You can find out who your electricity distributor is by visiting <https://www.energy.vic.gov.au/electricity/electricity-distributors> or checking your electricity bill. You can also find your gas distributor on your latest gas bill



Retailers

Retailers coordinate your energy supply and energy payment.

In 2018–19, depending on where you live in Victoria, you can expect to have up to 25 licensed electricity retailers and 16 licensed gas retailers competing to sell you energy (residential and small business customers).

You have been able to choose your electricity and gas retailer since 2002.

The price your retailer charges you includes:

- the wholesale cost of energy – retailers estimate how much they expect to pay for wholesale energy (accounting for changes in the price of wholesale energy over time)
- the cost of delivering it to you – they calculate how much it costs to deliver energy to their customers (the cost of distribution)
- the cost of renewable energy and energy efficiency schemes
- the retailers' cost of billing, marketing and customer service, as well as their profit margin.

Exempt persons

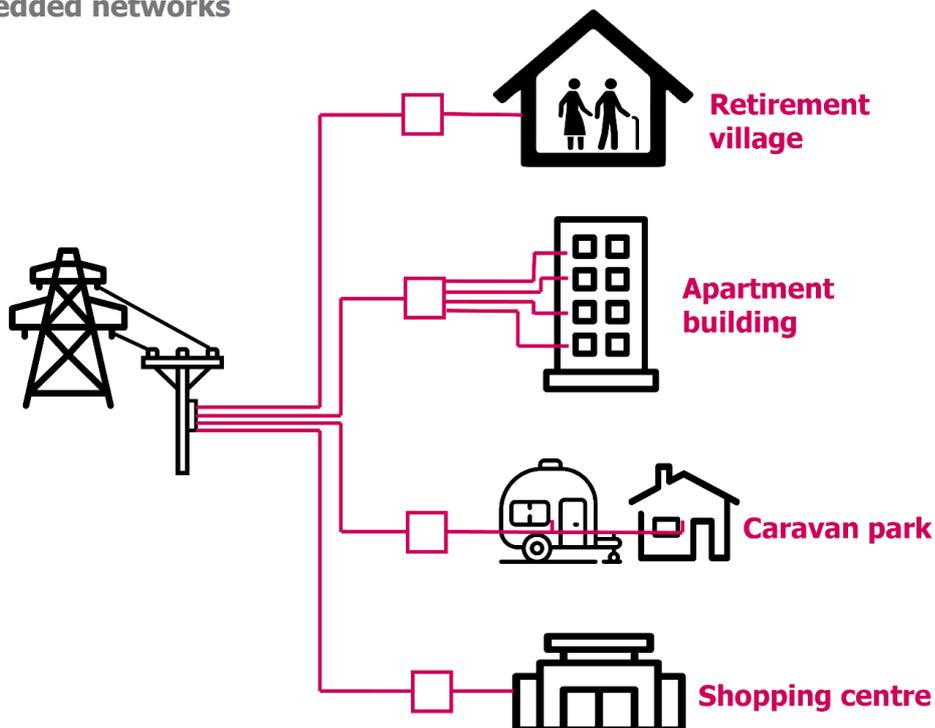
In 2017–18, the Victorian government revised the framework that applies to certain entities that operate electricity networks without requiring a licence.

Entities operating exempt networks must now register with the commission, and comply with additional obligations that protect customers.

Embedded electricity networks are private networks found in buildings and premises like apartment buildings, shopping centres, caravan parks, retirement villages and residential parks.

If you occupy one of these premises, you may be supplied electricity by the embedded network operators. Embedded network operators buy electricity in bulk through a 'gate' meter and then sell or supply it to individual customers within the embedded network.

Types of embedded networks





Who can sell or deliver gas and electricity?

In Victoria, businesses supplying energy are generally required to hold a licence issued by the commission. This includes businesses generating electricity, operating power stations and high voltage transmission lines, delivering gas and electricity through pipes and wires, as well as the retailers that sell you energy.

We issued 23 energy licences

In 2018–19, we issued 23 energy licences to businesses operating in Victoria, which included:

- 12 new licences to generate electricity, including five solar farms, six wind farms and one landfill gas generator (figure 1.3)
- four new electricity retail licences (Energy Locals, Elysian Energy, SIMEC Zen Energy Retail and Power Club)
- four electricity wholesale licences (EnergyAustralia – Gannawarra, Energy

Australia – Ballarat, Telstra Energy, Moorabool Wind Farm Interface)

- three gas retail licences (1st Energy, Agora Retail and Tango Energy).

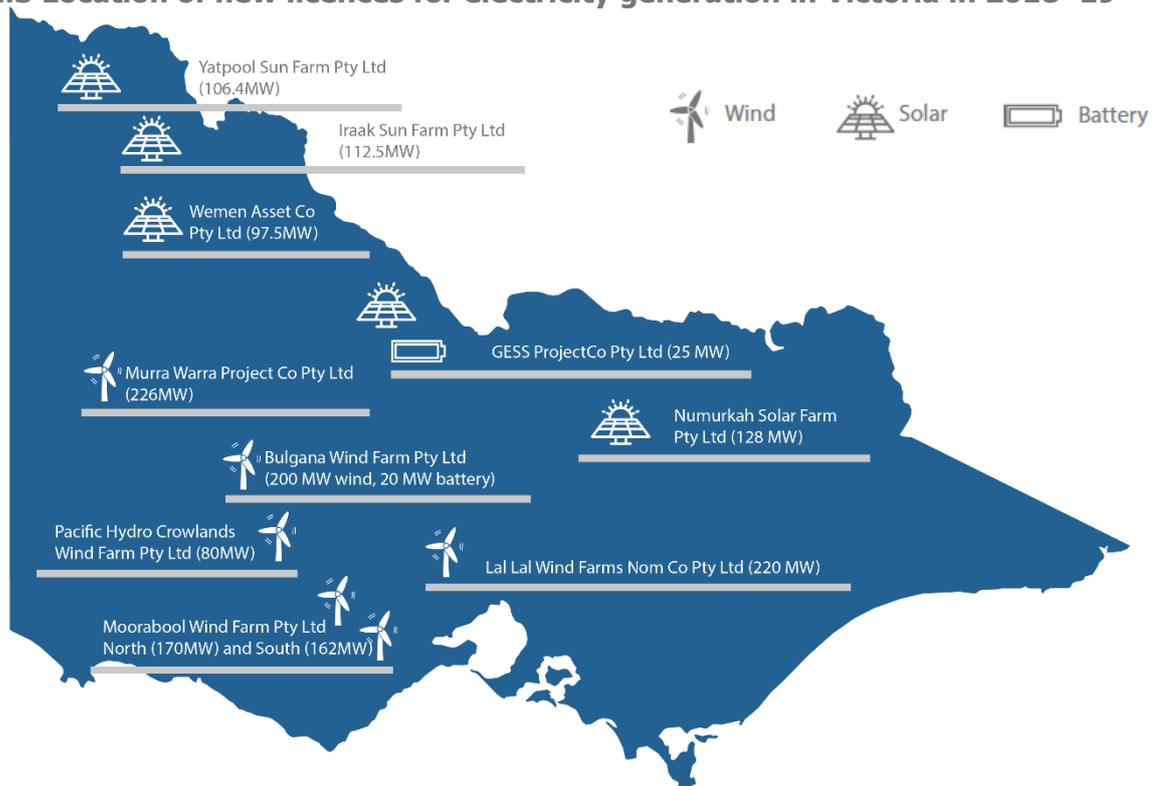
We update existing licences as required and administer the exempt persons register. During 2018–19 we registered over 1,100 embedded networks that supply over 140,000 customers.



Victorian licensing system

Licences are granted with a range of conditions and obligations to comply with codes and guidelines we publish. Some businesses are exempt from holding a licence, such as caravan parks or embedded networks (see page 14).

Figure 1.3 Location of new licences for electricity generation in Victoria in 2018–19





Regulating the energy sector in Victoria

Highlighting the changes we have made to the energy rules in Victoria



Changes to the way customers experience the energy market

We've done a lot of work to better protect energy customers. What new rights and entitlements do energy customers have, and when will new entitlements start?

I want a fair price



Since 1 July 2019, customers have had the option to switch to the **Victorian Default Offer** – a simple, independent and trusted electricity price.

Under new legislation, every Victorian household and small business (except if in an embedded network) **can now ask their retailer to be switched to the default offer.**

The default is based on an independent assessment of the efficient costs retailers need to recover to provide electricity.

If you were on a flat standing offer, before 1 July 2019 you were automatically put on the default offer. **If you're now on a standing offer that is not flat, or if you're on a market offer,** you can still ask your retailer to put you on the default offer if it's a better deal.

Electricity and gas retailers are now also **required to tell if you are on their 'best offer' for you.** They must include this information on your bills at least three times a year. If you're not on the best deal for you, they must tell you how much you could save by switching.

Help when you need it



The **payment difficulty framework** came into effect on 1 January 2019.

Under this framework, retailers must give all customers **access to flexible payments and support services.**

If you need help staying on top of your energy bills, retailers can:

- allow smaller payments more frequently
- change the frequency of payments
- delay payments of a bill or
- allow early payments where possible.

If you have unpaid bills and can no longer afford your energy, retailers **must offer to put a pause on your debt payments** for six months and reduce the full cost of your bill (which may be added to the amount you owe later).

Retailers **must also offer you a plan to pay off your bills; information about how to lower your energy usage; and provide advice on other assistance available,** such as government-funded grants and energy concessions.



The power to know what you're getting

Since 1 July 2019, you have more rights than ever before to know what you're getting for your energy deal, to compare it easily and get clear and helpful advice from your energy company.



Retailers must now:

- give you at least **five business days' warning on any price or benefit changes** that affect your bill
- this must also include their 'best offer' with information about **how much you could save** by switching to this offer
- provide **energy fact sheets** for all of their energy plans to allow you to easily compare information across different plans and retailers
- fact sheets should be on your retailer's website or ask them to mail you
- **show GST inclusive pricing on all their energy plans** to make it easier for you to compare offers
- allow you to provide a picture of your gas meter if you get an estimated gas bill, so they can provide a more accurate bill.

Energy reform journey

2013-14



Disconnections peak

2016-17



New powers to protect consumers

2018-19



Debt threshold increased

2019-20



New energy rights

- best offer on bills
- clear advice for customers
- Victorian Default Offer

2015-16
Victorian government inquiry into hardship programs

2017-18
New protections for payment difficulty and embedded network customers

2018-19
New rules to help customers effectively navigate the energy market (commenced July 2019)

2019-20
New rules to make contract terms clearer and fairer (commencing July 2020)



What rule changes have we made in 2018–19?

We regularly review the Victorian energy rules to promote the long-term interests of Victorian consumers. In 2018–19, we made several changes to the energy rules that affect the way in which customers experience the energy market.

The changes which came into effect during the year included:

- retailers must tell you if you're on their 'best offer' for you and warn you of any upcoming price or benefit changes
- simple and accessible fact sheets must be provided for all energy deals
- the Victorian Default Offer was introduced from 1 July 2019
- the ability to self-read your gas meter if you receive an estimated bill
- updated minimum feed-in tariff rates for customers who own solar panels
- increased protections for customers living in embedded networks.

Your retailer's best offer on energy bills and prior warning of changes to prices or benefits

In 2017, an independent review of the Victorian energy market found competition was not working effectively for consumers.

The Victorian Government supported the recommendations and issued terms of reference to us to deliver many of the reforms.

We have recently focused on changing the energy rules to unlock the complexity customers

experience when participating in the retail energy market.

The following new rules started from 1 July 2019:

- Retailers must notify you regularly about their best offer on energy bills – at least once every three months for electricity and once every four months for gas. It must include how much you could save if you switch to a better offer.
- Retailers must notify you at least five business days before any price or benefit changes that will affect your bill.
- Retailers must provide you with clear advice before you sign a new energy deal. They must help you navigate to a product that best suits your circumstances.
- Retailers must provide GST inclusive pricing on bills and in marketing material.

Simple and accessible energy fact sheet

From 1 July 2019, retailers are required to provide energy fact sheets to help customers assess and compare energy offers.

They must include information about available offers in a consistent format, including a table comparing the average yearly cost for a range of typical customers (e.g. household size) to help you easily compare plans.

The Victorian Default Offer

In December 2018, the Victorian Government asked us to provide the methodology to calculate a "simple, trusted and reasonably priced electricity option" to be known as the Victorian Default Offer.

The VDO came into effect on 1 July 2019, for around 160,000 residential and small business customers who were on simple standing offers for electricity.



Estimated savings for these customers ranged from \$310 to \$450 for residential customers, and \$1,380 to \$2,050 for small business customers.

The VDO is available to all residential and small business customers on request.

Provide your own meter reading to prevent estimated bill shock

In early 2018, we received reports customers were receiving high estimated bills, leading to 'bill shock' for some.

At times, your retailer can estimate your energy use for billing instead of measuring the actual usage from your meter. They can do this if, for example, they cannot physically access the meter or do not have reliable data from the meter.

We changed the rules to allow customers to provide a read of their own energy meters. This means you can provide your own meter reading, for example by taking a photo of your gas meter, so your bill can be adjusted to accurately reflect your usage.

Self-reads can only be submitted for electricity if your property does not have a smart meter.

The new rule came into effect 1 July 2019.

Updated minimum feed-in tariff rates offered by retailers

Each year we set the minimum feed-in tariffs retailers can credit customers for the electricity they export to the grid from sources like rooftop solar.

The feed-in tariffs change annually to reflect the latest information on the wholesale price of electricity and avoid losses through the network.

From 1 July 2019 until 30 June 2020, the minimum single rate feed-in tariff will be 12.0 cents per kilowatt hour.

We have also set a time-varying feed-in tariff which varies between 9.9 and 14.6 cents per kilowatt hour depending on when the power is exported to the grid.

Increased protections for customers living in embedded networks

During 2018–19 we registered over 1,100 embedded networks that supply over 140,000 customers.

We also clarified the rules around customer protections and provided customers in embedded networks with comparable protections to other Victorian electricity customers.

These protections started on 1 January 2019 and broadly include obligations about:

- access to free, independent dispute resolution through the Victorian Energy and Water Ombudsman
- explicit informed consent
- billing, including contents and information on bills, basis for bills, frequency of bills
- payment methods, undercharging and overcharging, additional retail charges and merchant fees
- payment difficulties assistance and payment plan options, restrictions on debt recovery for residential customers experiencing payment difficulties, a prohibition on security deposits for residential customers
- general information about interpreter services, provision of information to customers
- reminder notice and disconnection warning, notice requirements
- disconnection and reconnection requirements
- life support equipment requirements
- access to free independent impartial dispute resolution.



What's happening in 2019–20

We are working on several reviews and reforms that will affect how Victorian businesses and customers interact in the energy market.

Key changes under consideration include:

- new protections for energy customers experiencing family violence
- clearer and fairer contract terms and conditions for energy retail customers
- stronger protections for customers relying on life-support equipment
- updated technical standards and customer protections under the Electricity Distribution Code
- improving network connection timeframes for new developments
- guidance and resources for embedded networks and their customers and
- a new framework to monitor and report on the competitiveness and efficiency of the Victorian energy retail market.

New protections for energy customers experiencing family violence

We have updated the Energy Retail Code to strengthen protections for residential and small business customers of energy retailers affected by family violence. These new obligations commence on 1 January 2020.

The Victorian Royal Commission into Family Violence identified how perpetrators can use essential services to cause harm.

It recommended energy and water codes be amended to ensure customers experiencing family violence receive the support they need, when they need it.

Over the past year and a half, we have worked with energy retailers, family violence specialists, including financial counsellors, and victim-

survivors of family violence, to develop a family violence framework.

The framework is supported by a better practice guide for the industry which features case studies on initiatives from across the energy and water sectors to help customers affected by family violence.

The guide aims to foster innovation beyond the minimum standards and inspire businesses towards continual improvement.

The updated Energy Retail Code will provide customers affected by family violence with an entitlement to safe, supportive and flexible assistance from their energy retailer in managing their personal and financial security.

Energy retailers will need to have a family violence policy, and meet minimum standards on:

- training
- account security
- customer service
- debt management practices
- external support services
- evidence of family violence.

In 2019, we also established a baseline on how customers are currently treated by their energy retailers. This will act as a benchmark for future reporting once the provisions are implemented.



Gas and electricity retailers must have a secure process that avoids affected customers having to repeatedly disclose or refer to their experience of family violence.

See 106H of the Energy Retail Code.



Clearer and fairer contracts for energy retail customers

In 2018–19, we established new customer entitlements to help customers engage more confidently to rebuild trust in the retail energy market.

This work is continuing in 2019–20 with a focus on ensuring energy contracts are clear and fair.

In June 2019, we published an issues paper outlining implementation options and plan to publish a draft decision in December 2019.

We expect amendments to the Energy Retail Code relating to contract periods, practices and variations to come into effect on 1 July 2020.

These reforms are part of a broader suite of rule changes arising from the Independent Review of the Electricity and Gas Retail Markets in Victoria.

The review found the retail energy market was not working in the long-term interests of consumers and made 29 detailed recommendations aimed at improving outcomes for consumers.

Strengthening protections for life support customers

Customers who rely on life support equipment to live need access to a reliable supply of electricity or gas to their premises.

As the regulator, we need to make sure the energy rules promote continuity of supply for these customers. This includes requiring retailers and distributors to communicate with each other when a life support customer is identified.

In 2019–20 we have worked to strengthen the life support rules to:

- ensure protections are in place for these customers as soon as they inform their energy business that they require life support equipment
- extend life support protections to customers who require gas to fuel their life support equipment

- establish a requirement for more robust processes to ensure the accuracy of life support registers
- promote better communication between energy businesses in relation to life support customers
- provide more comprehensive information to life support customers about their rights processes and energy businesses' obligations
- clarify responsibilities between customers and energy businesses in situations where life support equipment is fuelled by both electricity and gas.

These strengthened protections are in addition to existing critical protections that prevent Victorian life support customers being de-energised or disconnected by their energy business, and require distributors to notify customers of a planned interruption.

In 2020, these new rules will take effect. We have also included some transitional arrangements for legacy life support customers to ensure they are protected under the new framework.



Electricity Distribution Code review

The Electricity Distribution Code sets out requirements for distributors and customers to promote the safe and efficient delivery of electricity for Victorians.

Given the technological change facing the electricity network, we are undertaking a review of the distribution code to ensure it meets our needs into the future.

In April 2019, we set out our approach for reviewing the code, focusing on:

- Technical standards, which set the level of quality the distribution network must provide and manage.
- Customer protections, which include recognition payments for customers experiencing poor reliability due to the physical network, and distributor requirements to notify customers of planned outages.

Throughout 2019–20 we will engage further with stakeholders on the technical and customer service standards to prepare our draft and final decisions.

We plan to make our final decisions and amend the code during 2019–20.

Once this is completed, we will look at broader changes that may improve how the code is used and how it enhances the service provided to consumers.

A new approach to improving electricity connections times

During 2019–20 we are examining whether to codify electricity connection timeframes.

In 2018, we provided advice to the Assistant Treasurer (then Minister for Finance) on the causes of delays to electricity connections in new developments (in greenfield areas).

In September 2018, all five Victorian electricity distribution businesses signed a service improvement commitment agreeing to a number of improvement initiatives.

We established a governance committee chaired by commission chief executive John Hamill to oversee the implementation of the commitment.

In May 2019, developers reported a considerable improvement in distribution businesses' performance over the last 12 months.

Although we recognise the improved connection timeframes reported by distributors and recognised by developers, we also considered formalising distributors practices as obligations in our code as part of our review.

Supporting new protections for energy customers in embedded networks

Throughout 2019–20 we are continuing our work with exempt retailers, distributors and their customers. Our main focus is developing resources to help ensure customers are receiving the right service for them.

This includes:

- creating sample electricity bills, payment reminder notices and disconnection warning notices for exempt persons to use
- publishing a guide to Victorian electricity rules for exempt retailers and distributors and
- developing a sale and supply agreement template to assist exempt persons with providing required information to customers.

These tools will help customers know what service they are paying for, clarify obligations for exempt persons providing energy services and provide a set of protections embedded network customers can rely on.



Performance of energy businesses

An explanation of how well Victorian energy retailers and distributors have performed against a range of measures

Which retailers had the greatest changes in customer numbers in 2018–19?

Medium sized retailers increased their market share of residential customers

In 2018–19, we found medium sized retailers (those with between 30,000 and 150,000 customers) saw the greatest increase in the market share of residential customers.

Retailers that were medium sized for the majority of the year gained four and three per cent of the residential electricity and gas market share respectively, at the expense of large retailers.

Alinta Energy gained over 90,000 residential energy customers – the largest gain of all retailers compared to the previous year (as shown in table 3.1).

Tango Energy, Sumo and GloBird Energy also had large increases with each acquiring more than 20,000 new residential energy customers.

Specifically, Tango Energy gained over 26,000 residential electricity customers, which is a doubling of its customers compared to the previous year.

Simply Energy, Red Energy, Sumo and Momentum Energy each acquired more than 10,000 residential gas customers.

EnergyAustralia – a large energy retailer – lost the most residential energy customers in 2018–19, with over 50,000 residential energy customers changing retailers

Figure 3.1 Market share residential electricity customers, by retailer average across 2018–19

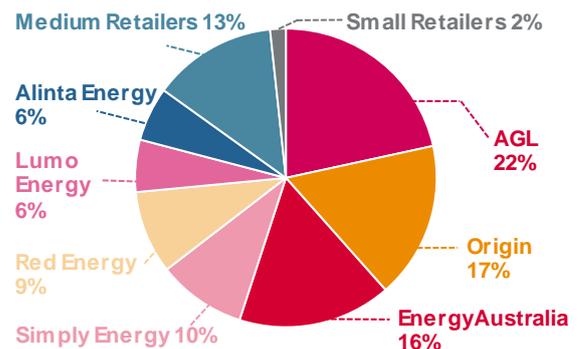
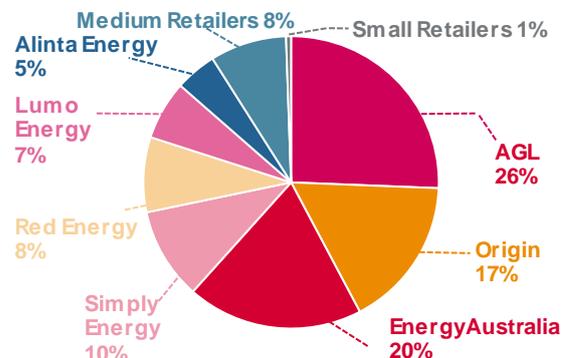


Figure 3.2 Market share residential gas customers, by retailer average across 2018–19



Electricity switching rates in 2018-19

According to data from the Australian Energy Market Operator, 27 per cent of Victorian residential and small business electricity customers switched retailers during the year.



Figure 3.3 Change in electricity residential customers, ranked by retailer (by size) average across 2017–18 and 2018–19

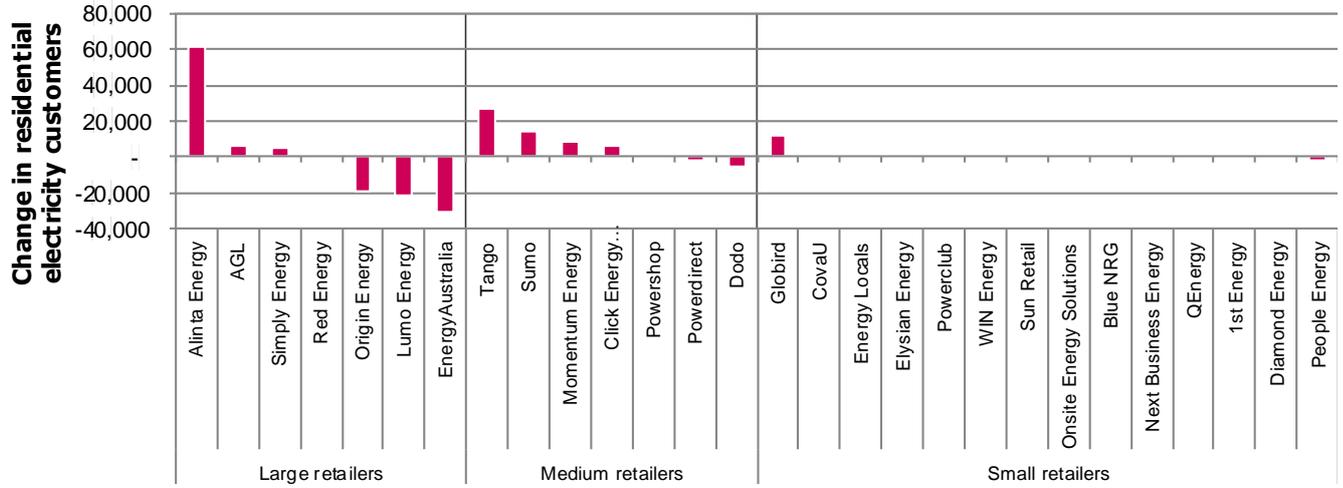


Figure 3.4 Change in gas residential customers, ranked by retailer (by size) average across 2017–18 and 2018–19

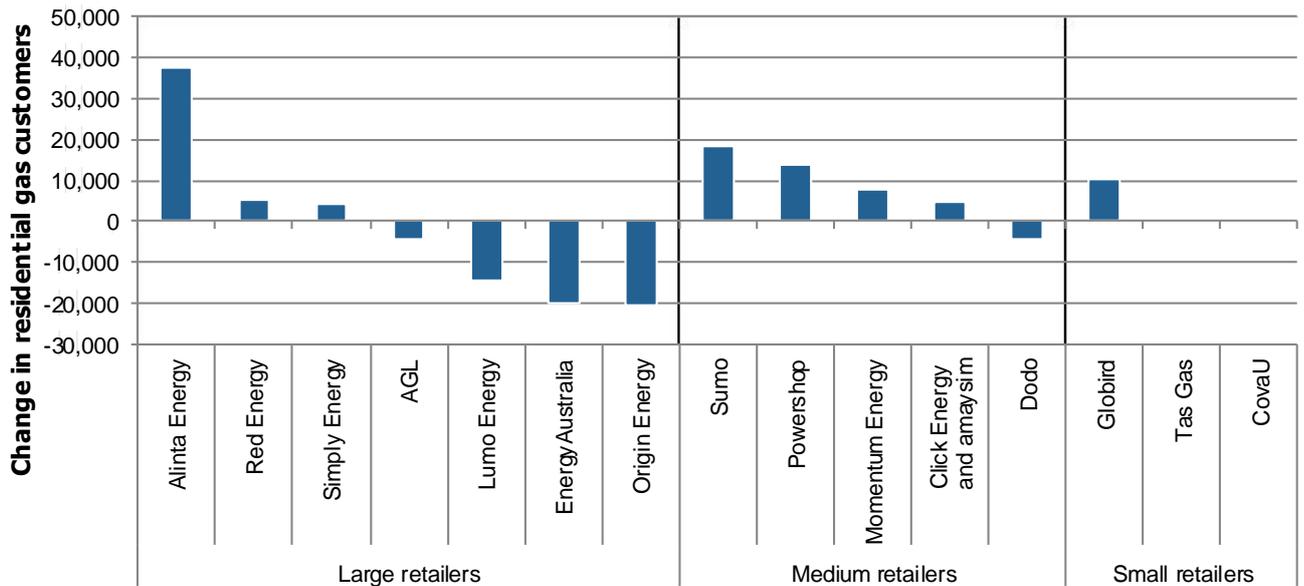




Table 3.1 Change in energy residential customers, ranked by retailer (by size) average across 2017–18 and 2018–19

Retailer	Electricity (residential)				Gas (residential)				
	2017–18	2018–19	change in customer numbers	% change from previous	2017–18	2018–19	change in customer numbers	% change from previous	
Large retailers	AGL	550,904	557,035	6,130	1%	514,851	510,396	-4,455	-1%
	EnergyAustralia	455,419	425,406	-30,014	-7%	403,839	383,839	-20,000	-5%
	Origin Energy	456,467	437,638	-18,829	-4%	351,975	331,740	-20,235	-6%
	Lumo Energy	167,353	146,120	-21,234	-13%	143,921	129,695	-14,226	-10%
	Red Energy	232,396	232,135	-261	0%	160,092	165,206	5,114	3%
	Simply Energy	240,087	245,725	5,638	2%	197,770	201,908	4,138	2%
	Alinta Energy	89,412	151,215	61,803	69%	53,066	90,740	37,675	71%
Medium retailers	Click Energy and amaysim	39,297	45,033	5,736	15%	28,278	33,156	4,879	17%
	Dodo	46,832	41,134	-5,697	-12%	39,065	34,599	-4,466	-11%
	Momentum Energy	79,464	88,111	8,648	11%	54,324	61,934	7,610	14%
	Powerdirect	32,588	31,109	-1,479	-5%				
	Powershop	57,471	59,301	1,830	3%	48	13,862	13,814	28730%
	Tango	11,547	37,934	26,387	229%				
	Sumo	27,721	42,021	14,300	52%	5,039	23,270	18,231	362%
Small retailers	1st Energy	6,400	6,026	-374	-6%				
	Blue NRG	71	36	-35	-49%				
	CovaU	281	407	126	45%	247	350	102	41%
	Diamond Energy	3,941	3,554	-387	-10%				
	ERM Business Energy	0	0	0		0	0	0	
	Globird	12,795	24,590	11,795	92%		10,129	10,129	
	Next Business Energy	156	115	-41	-26%				
	People Energy	9,158	7,768	-1,390	-15%				
	QEnergy	857	679	-179	-21%				
	Sun Retail	1	0	-1	-100%				
	Tas Gas					89	385	296	332%
	WIN Energy	0	1	1					
	Elysian Energy		16	16					
	Energy Locals		40	40					
	Powerclub		14	14					
Onsite Energy Solutions	7	5	-3	-38%					
TOTAL	2,520,627	2,583,170			1,952,604	1,991,209			

The average residential customer is calculated from the numbers of residential customers with each retailer as at the last day of each calendar month. Figures may not add up precisely due to rounding



Medium sized retailers have also increased their market share of small business customers

Tango Energy gained the largest number of small business customers in 2018–19, with over 5,000 small business energy customers signing up to the retailer.

Four retailers gained more than 1,000 small business electricity customers. These were Tango Energy, AGL and Origin Energy.

Simply Energy had the largest number of small business electricity and gas customers leave in 2018–19, with 5,923 small business energy customers changing, as shown in figure 3.7 and 3.8.

For electricity, medium retailers gained around three per cent of the market share at the expense of large retailers. For gas, medium retailers gained one per cent of the market share at the expense of large retailers.

Figure 3.5 Market share small business electricity customers, by retailer average across 2018–19

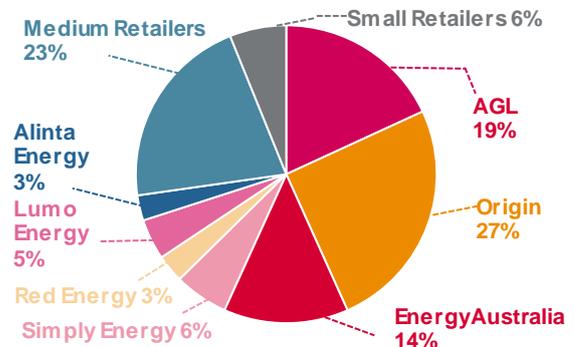


Figure 3.6 Market share small business gas customers, by retailer average across 2018–19

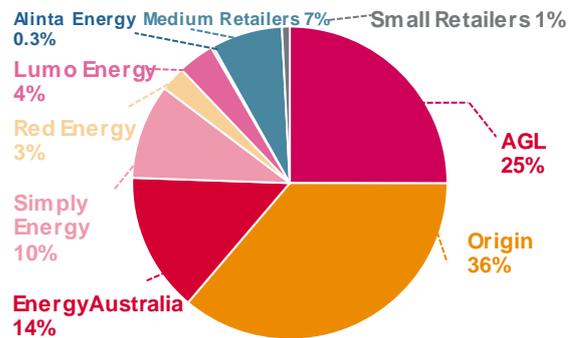




Figure 3.7 Change in electricity small business customers, ranked by retailer (by size) average across 2017–18 and 2018–19

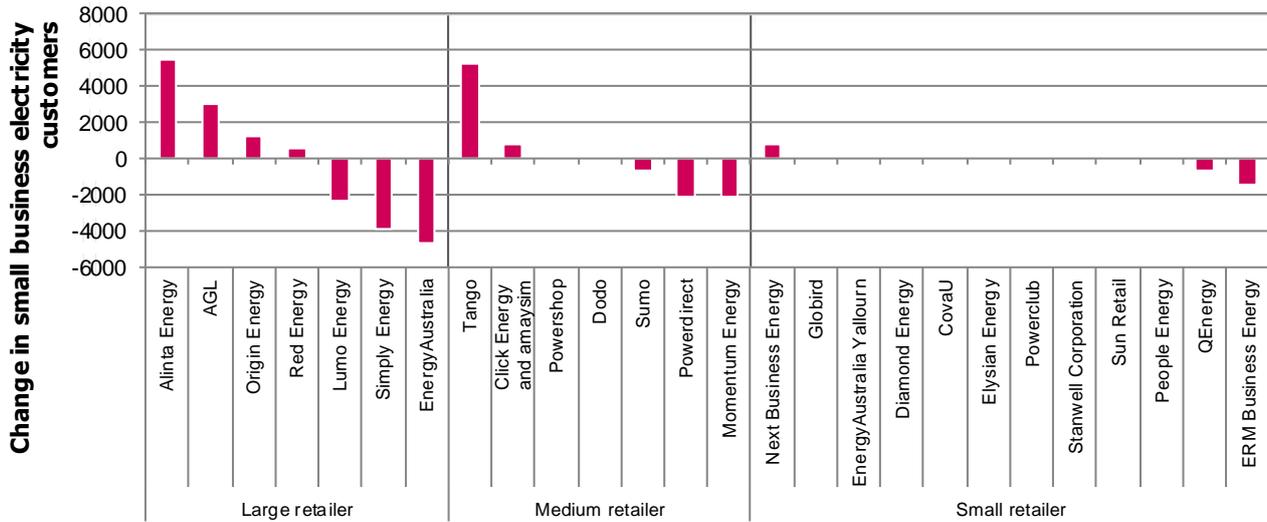


Figure 3.8 Change in gas small business customers, ranked by retailer (by size) average across 2017–18 and 2018–19

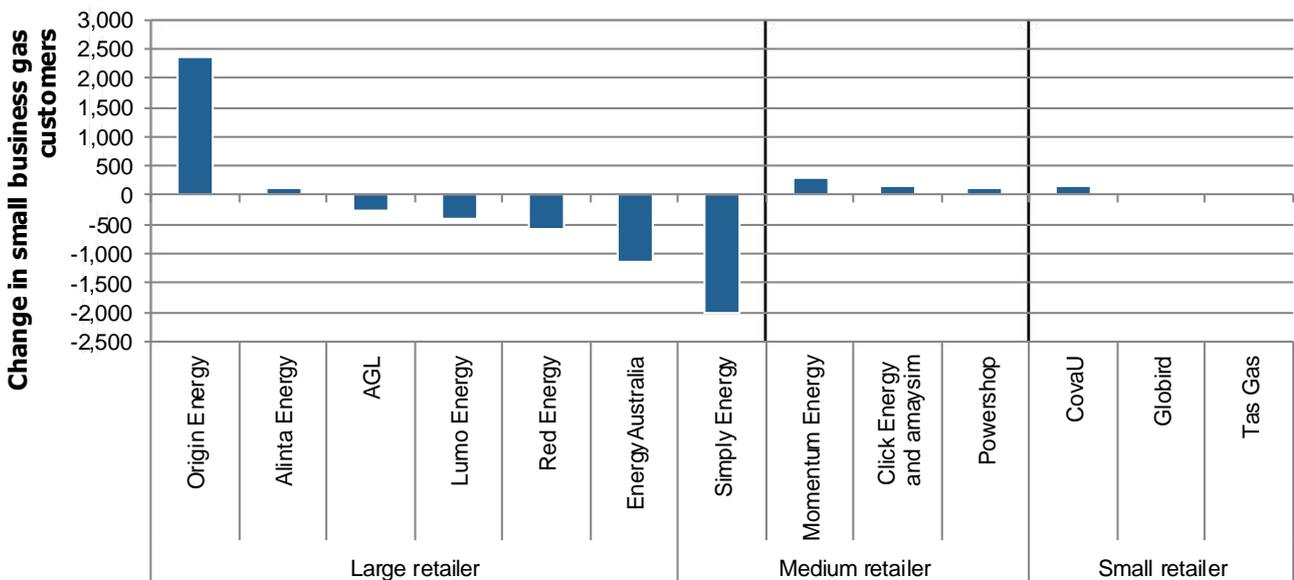




Table 3.2 Change in energy small business customers, ranked by retailer (by size) average across 2017–18 and 2018–19

Retailer	Electricity (small business)				Gas (small business)				
	2017–18	2018–19	change in customer numbers	% change from previous	2017–18	2018–19	change in customer numbers	% change from previous	
Large retailers	AGL	48,493	51,481	2,988	6%	16,463	16,210	-253	-2%
	EnergyAustralia	42,900	38,191	-4,710	-11%	10,438	9,306	-1,131	-11%
	Origin Energy	70,630	71,895	1,265	2%	21,042	23,409	2,368	11%
	Lumo Energy	14,920	12,535	-2,385	-16%	2,833	2,432	-401	-14%
	Red Energy	8,064	8,610	547	7%	2,256	1,673	-583	-26%
	Simply Energy	20,495	16,575	-3,920	-19%	8,358	6,355	-2,003	-24%
	Alinta Energy	2,300	7,818	5,517	240%	20	155	135	687%
Medium retailers	Click Energy and amaysim	1,377	2,211	834	61%	256	428	172	67%
	Dodo	1,880	1,823	-57	-3%	0	0	0	
	Momentum Energy	29,494	27,355	-2,139	-7%	3,736	4,021	285	8%
	Powerdirect	10,654	8,567	-2,087	-20%				
	Powershop	3,690	3,805	114	3%	0	106	106	
	Tango	1,891	7,175	5,284	279%				
	Sumo	2,263	1,594	-668	-30%	0	0	0	
Small retailers	1st Energy	1,321	840	-481	-36%				
	Blue NRG	7,538	6,005	-1,534	-20%				
	AGL Sales (Qld)	0	0	0	-100%				
	CovaU	401	432	31	8%	315	460	146	46%
	Diamond Energy	177	211	34	19%				
	Elysian Energy		6	6					
	EnergyAustralia Yallourn	91	238	147	162%				
	ERM Business Energy	5,639	4,190	-1,449	-26%	0	0	0	
	Globird	1,018	1,176	158	15%		55	55	
	Next Business Energy	1,872	2,609	737	39%				
	People Energy	388	330	-58	-15%				
	Powerclub		0	0					
	Progressive Green Energy	0	0	0					
	QEnergy	1,974	1,275	-699	-35%				
	Stanwell Corporation	1	0	-1	-100%				
	Sun Retail	17	9	-8	-48%				
Tas Gas					1	5	4	357%	
TOTAL	279,487	276,954			65,717	64,617			

The average small business customer is calculated from the numbers of residential customers with each retailer as at the last day of each calendar month. Figures may not add up precisely due to rounding.



How well did my retailer provide customer service?

How well your retailer responds to a question about a bill, or a complaint about a service issue can be a good indicator of the quality of a retailer's customer service standards.

For consideration if customers are thinking about signing a new contract or switching retailers, we report on customer service standards to help consumers better understand the market.

Complaints to retailers

Customers mainly complain about:

- billing issues, including overcharging or mistakes on bills
- marketing complaints, including concerns about particular sales tactics
- customer transfer complaints, which could be related to failing to transfer a customer to another retailer within a certain time and
- other complaints, which could be about poor customer service.

Retailers reported that Victorian residential energy customers made 119,160 complaints to retailers in 2018–19, an increase of 2 per cent on 2017–18.

In 2018–19, there was an average of 2.9 and 2.2 complaints for every 100 residential customers for electricity and gas, respectively. This has stayed the same for the past three years (see figure 3.10).

Similar to the previous year, billing issues were the most common type of complaint. Billing complaints rose by 13 per cent while all other categories decreased (see figure 3.9).

Simply Energy had the highest number of reported complaints with 7 complaints per 100 electricity customers, and 7.42 per 100 gas

customers. This is more than double the Victorian average for 2017–18 (see figures 3.11 and 3.12).

For electricity, Sumo had the largest increase in complaints per 100 electricity customers with an increase of 88 per cent (shown in figure 3.11). In contrast, Tango Energy had the largest reduction in complaints per 100 electricity customers with a decrease of 67 per cent

For gas, Sumo had the largest increase in complaints per 100 gas customers with an increase of 42 per cent (shown in figure 3.12). In contrast, Alinta Energy had the largest reduction in its complaints per 100 gas customers with a decrease of 58 per cent.

Figure 3.9 Residential complaints (electricity and gas) to retailers, by type

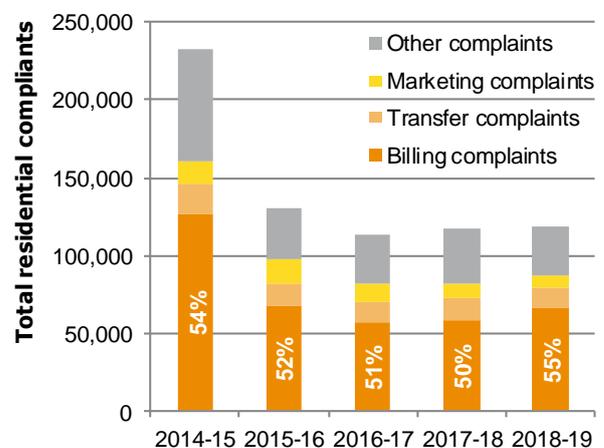


Figure 3.10 Residential complaints (electricity and gas) to retailers per 100 customers

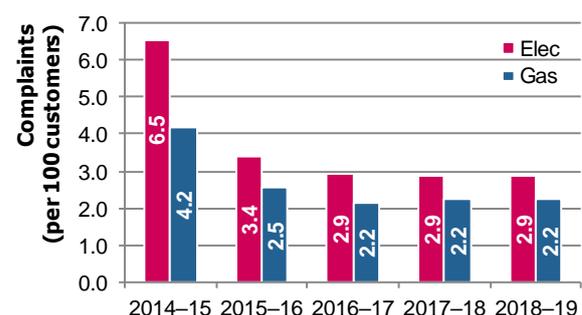




Figure 3.11 Residential complaints to retailers per 100 electricity customers

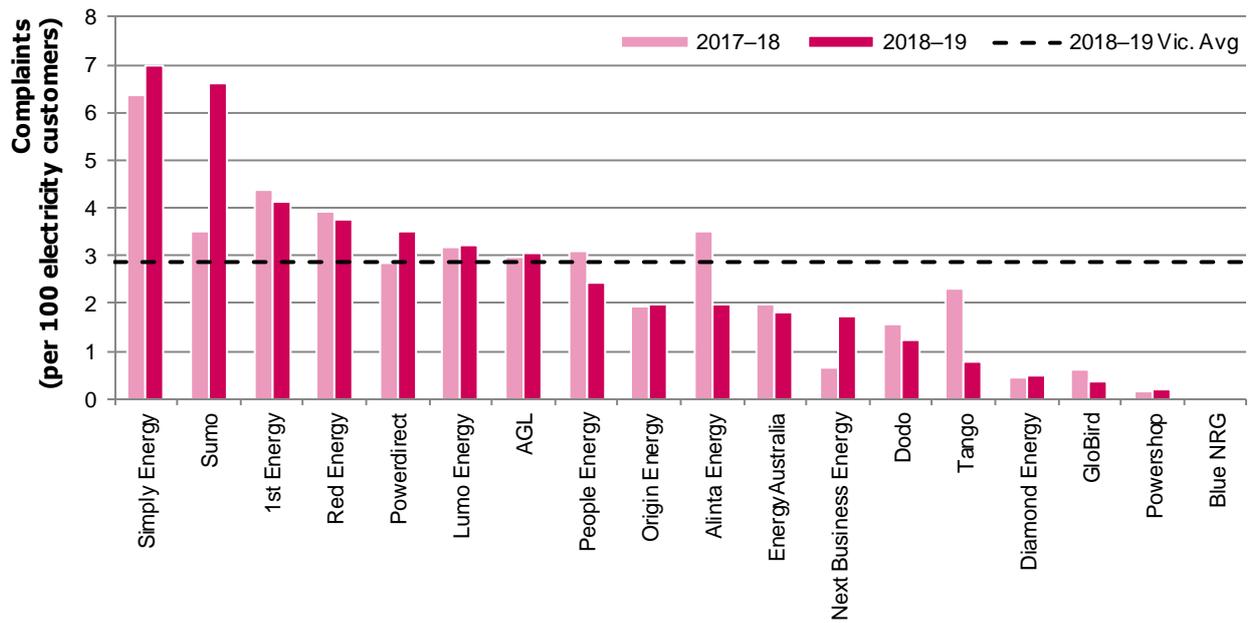


Figure includes only retailers with at least 1,000 residential electricity customers. QEnergy (9.28 per 100 electricity customers), Next Business Energy (1.73 per 100 electricity customers), Energy Locals (2.50 per 100 electricity customers), Blue NRG (0.0) and CovaU (6.13 per 100 electricity customers) were excluded.

Figure 3.12 Residential complaints to retailers per 100 gas customers

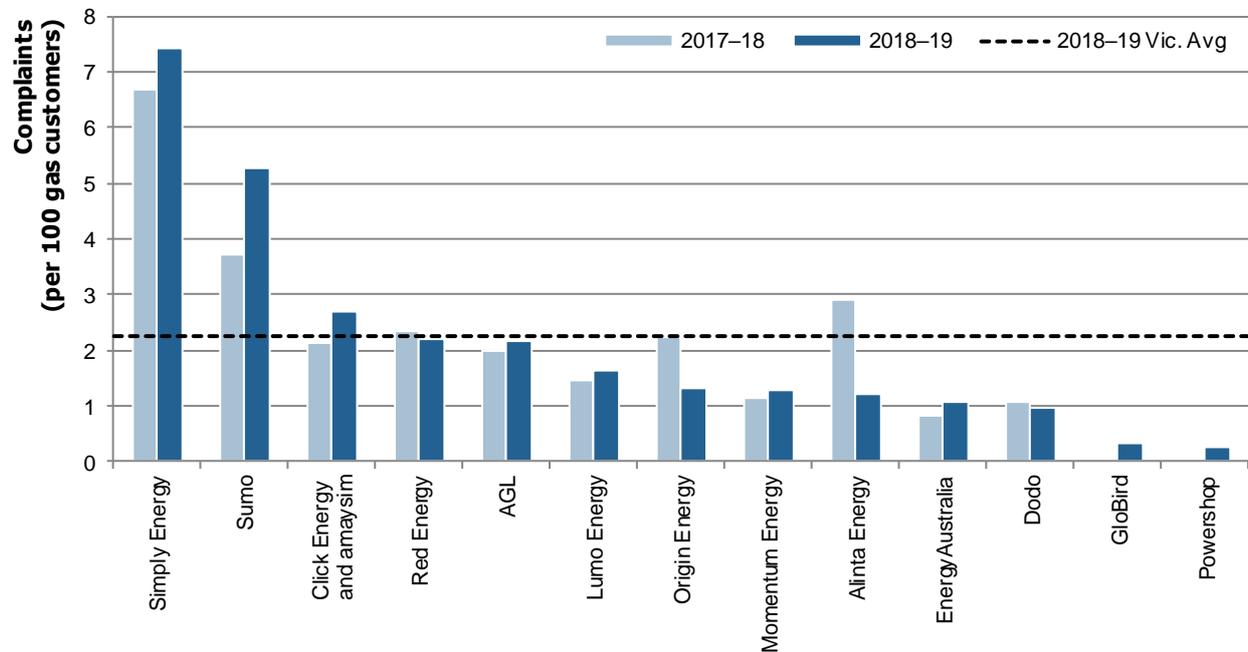


Figure includes only retailers with at least 1,000 residential gas customers. Tas Gas Retail (0.52) and CovaU (3.72) were excluded.



Increase in calls to retailers in 2018–19

In 2018–19, retailers received an average of 23 calls per 100 electricity customers each month (excluding sales enquiries). This was around a 17 per cent increase in total calls from the previous year, as shown in figure 3.13.

Customers waited less time for their calls to be answered

Although the number of calls forwarded to an operator increased 17 per cent on the previous year in total, the speed with which these calls were answered improved. For 2018–19, customers waited on average 56 seconds for their calls to be answered. This was a reduction of a third compared to the waiting times in 2017–18, as shown in figure 3.14.

Sumo customers waited the longest time when calling their retailer, waiting over four and a half minutes (271 seconds) before speaking to an operator. However, this was halved when compared to last year. Seven retailers had an average wait time of over 60 seconds.

Figure 3.13 Number of calls per 100 electricity customers, by retailer

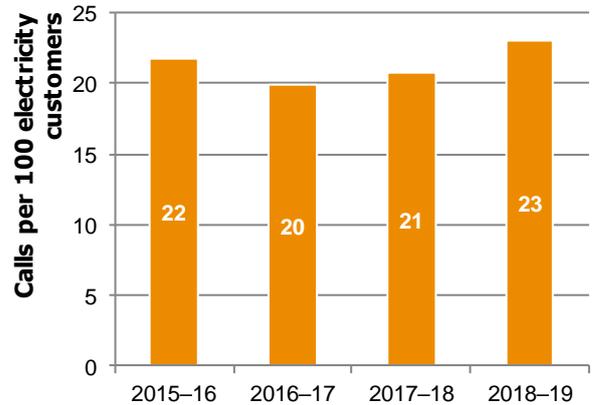


Figure 3.14 Average customer call wait times in Victoria

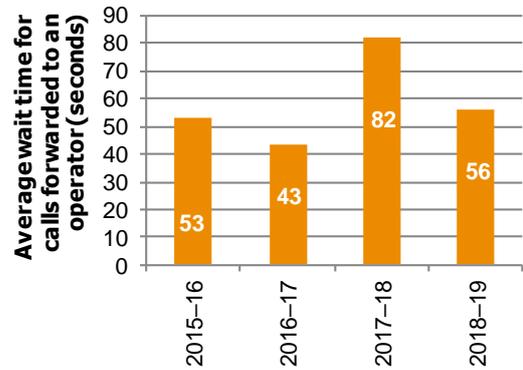


Figure 3.15 Customer call wait times, by retailer

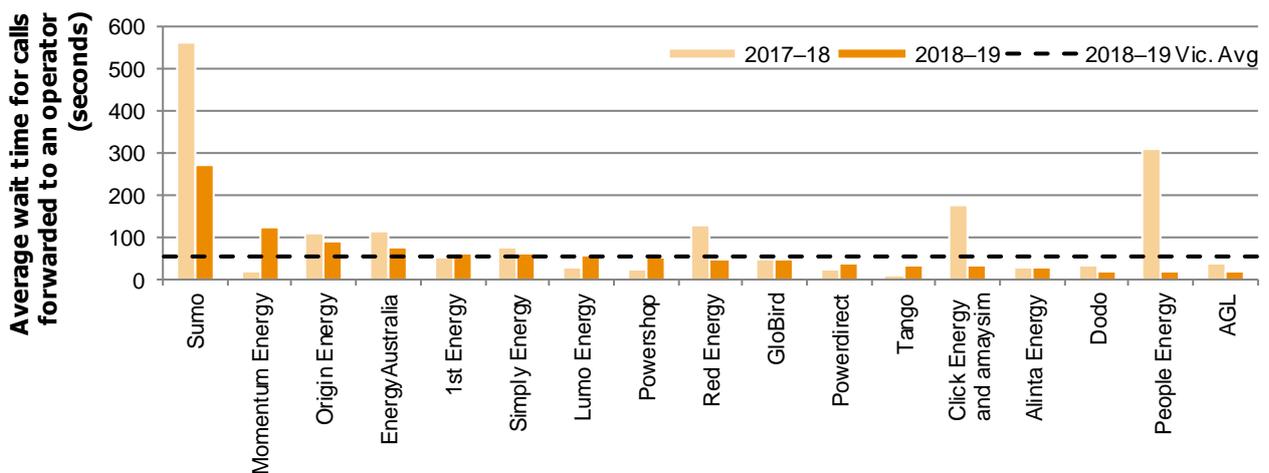


Figure includes only retailers with at least 1,000 residential electricity customers. Powerclub (30 seconds), Energy Local (20 seconds), Next Business Energy (16 seconds), CovaU (9 seconds), Elysian Energy (9 seconds) Blue NRG (8 seconds) and QEnergy (4 seconds) were excluded.



Where should I go if I still have concerns or complaints with my energy retailer?

If you have a question about your service, for example, about your energy bill, first contact your retailer.

If you cannot resolve the issue with your retailer, you can contact the Energy and Water Ombudsman Victoria (EWOV) on 1800 500 509. EWOV is an independent and free dispute resolution service. It will only consider an investigation if you have already tried to resolve your complaint with your retailer.

Cases and investigations carried out by the Energy and Water Ombudsman (Victoria)

One indicator of the effectiveness of a retailer’s complaints process is the proportion of complains that are not resolved at the retailer level and subsequently become investigations by EWOV. In 2018–19, EWOV received 24,053 cases related to electricity and gas retailers. EWOV also carried out 4,031 investigations related to disputes involving retail electricity and gas customers. This was a decrease on the previous year with 26,946 cases and 4,805 investigations in 2017-18. The rate of investigations carried out by EWOV varied greatly by retailer, ranging between 0.08 to 0.26 investigations per 100 energy customers, as shown in figure 3.16.

Sumo had the highest rates of investigations for large and medium retailers, at 0.17 investigations per every 100 energy customers respectively. People Energy, a small retailer, had the highest rate of investigations at 0.26.

Figure 3.16 Total EWOV investigations per 100 residential energy customers

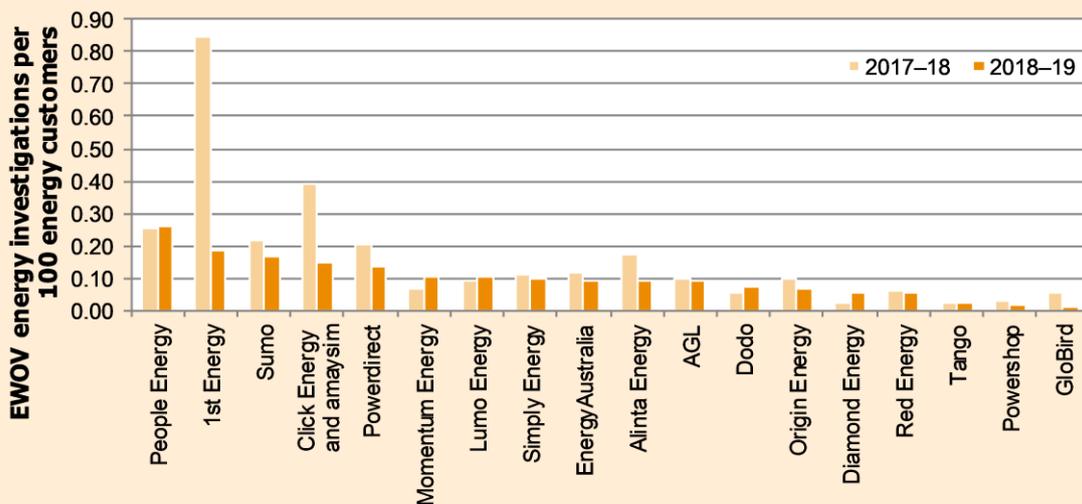


Figure includes only retailers with at least 1,000 residential energy customers in 2018–19. Blue NRG, CovaU, Next Business Energy, Online Power & Gas and QEnergy were excluded. A ‘case’ refers to all customer contacts with EWOV. Each case is registered as either an enquiry or a complaint. An ‘investigation’ is opened where an assisted referral does not resolve a customer’s complaint.



How reliable is the energy delivered by my distributor?

Distributors are responsible for the reliability of your energy supply – they make sure your energy supply is there when you need it. They also ensure that energy is delivered to you, and that it meets the required quality standards. For example, electricity is delivered without large variations in voltage that could damage electrical equipment.

The gas distribution network is more reliable than the electricity system, mainly because the pipelines are underground and therefore protected from the weather and other interference. This analysis therefore only focuses on electricity distribution.

Your electricity distributor maintains the poles and wires connecting your property to the grid. They are required to notify you in advance if they plan to shut off your supply. However, you may experience unplanned outages from time to time. When this happens, you may be eligible for a payment from your distribution network.

Average number of electricity interruptions have increased

Distributors submit audited reports on reliability, which is measured by:

- counting the number of times your supply was interrupted without warning for more than a minute
- calculating how long the unplanned interruptions lasted.

As shown in figures 3.17 and 3.18, the average number and duration of electricity interruptions has increased across most distributors in 2018–19 compared to the previous year.

Figure 3.17 Average number of unplanned electricity interruptions, per customer

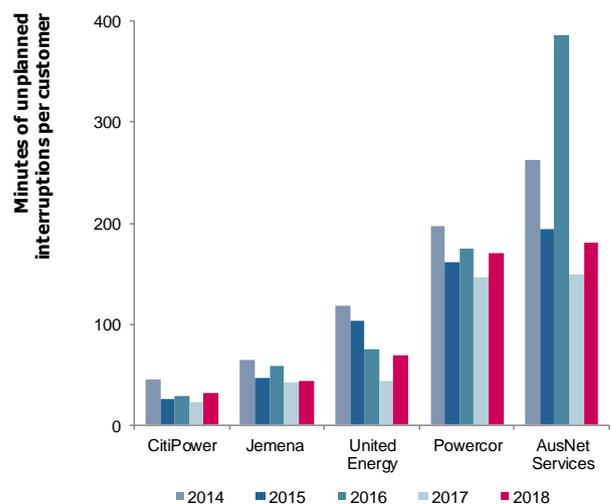
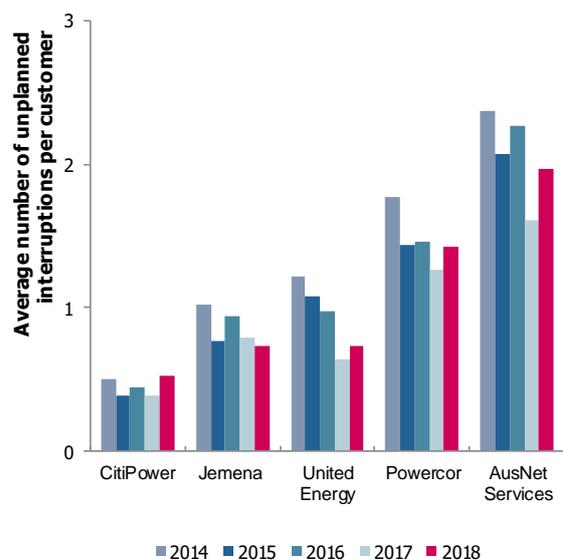


Figure 3.18 Average length of unplanned electricity interruptions, per customer





Increase in the payments to customers as a result of disrupted electricity supply

We oversee a guaranteed service level scheme that requires distributors to make payments of up to \$360 to individual customers when certain service levels are not met.

These guaranteed service level payments by distributors to electricity customers totalled \$10.01 million in 2018.

Table 3.3 outlines the number and type of guaranteed service level payments distributors have made to customers since 2013. This includes delays in connecting supply.

What should I do if my electricity supply is disrupted?

If you experience an outage, you should contact your distributor. Their contact information can be found on your energy bill. If you are eligible for a guaranteed service level payment, this will be automatically credited to your account each year.

You may be entitled to a payment if:

- you experienced lengthy or repeated gas supply interruptions, or lengthy repeated electricity outages
- your distributor made an appointment with you and is late or does not show up, or
- your distributor fails to supply energy to you on an agreed day (for example, you move to a new property and your distributor does not supply energy to your address on the agreed day).

Table 3.3 Electricity guaranteed service level payments, by type

Reasons for payment	2013	2014	2015	2016	2017	2018
Late appointments with customers	1,207	1,138	49	101	45	58
Delay in connecting supply	590	407	317	1,479	4,982	2,274
Repeated or lengthy power outages (low reliability of supply)	67,149	92,052	79,991	135,110	46,913	80,159
Faulty streetlights not repaired in time	118	302	211	648	182	190
Total number of payments made	69,064	93,898	80,568	137,338	52,122	82,681
Total payments (\$)	\$6,193,930	\$9,272,677	\$8,192,650	\$22,281,980	\$6,455,490	\$10,006,160

Distribution results are reported on a calendar year with 2017 data being the most recent audited data available.¹

¹ The total payments in 2016 were significantly higher due to disrupted electricity supply of customers as a result of heavy storms across Victoria in October 2016.



Unaccounted for gas reported by distributors

Unaccounted for gas, or UAFG, refers to the difference between the measured quantity of gas entering the gas distribution system from various supply points and the gas delivered to customers. There are various causes for UAFG, including fugitive emissions, metering errors, heating value, data quality and theft.

In Victoria, UAFG is managed via a benchmark process. Our Gas Distribution System Code sets benchmarks for each Victorian gas distributor – AusNet Services, Australian Gas Networks and Multinet. The code requires gas distributors to use reasonable endeavours to ensure that UAFG is less than their benchmark.

Retailers are required to purchase enough gas to cover customer consumption and actual UAFG. Each year, gas distributors and retailers each reconcile the amount of gas purchased against UAFG benchmarks.

We have collected new data from gas distributors on recent UAFG levels. The latest settled data is shown in the following table and figures. The most complete settled data is up to 2016 for our gas network.

Figure 3.19 Class B DTS network UAFG %, settled data

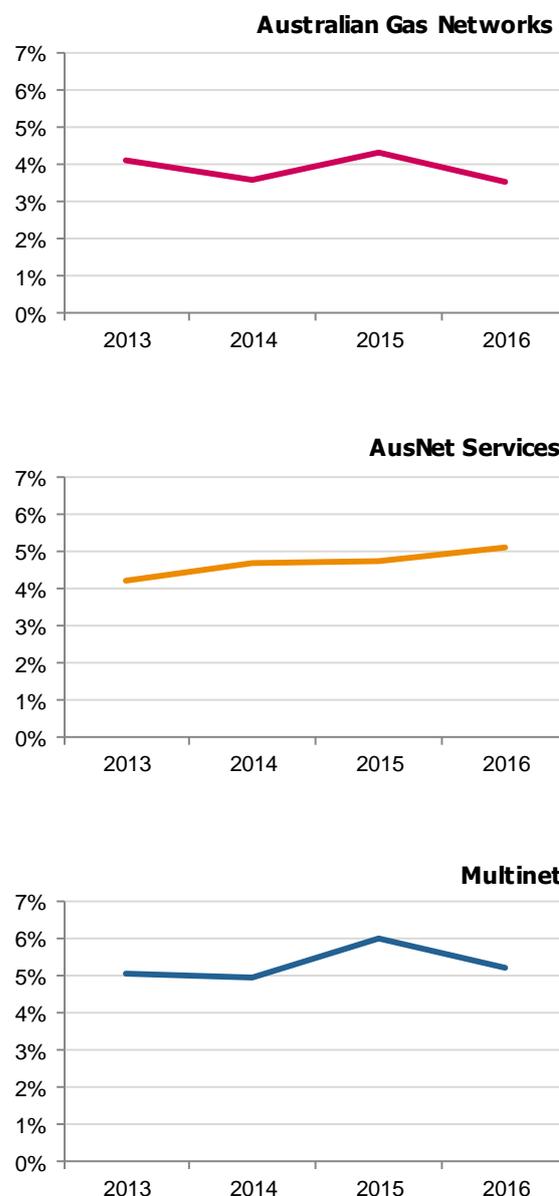


Table 3.4 Class B UAFG for DTS networks, settled data and benchmarks, from 2013 to 2016

Distributor	2013–17 benchmark	2013	2014	2015	2016	2018–22 benchmark
AusNet Services	5.4%	4.24%	4.69%	4.77%	5.10%	4.6%
Australian Gas Networks	3.7%	4.12%	3.61%	4.32%	3.52%	4.0%
Multinet	4.1%	5.05%	4.95%	5.99%	5.24%	5.3%

AGN Class B benchmarks are separate for Victoria and Albury, both at 4.0% for 2018–22 and both 3.7% for 2013–17.



Energy retail products and prices

A summary of the energy retail products and prices that were available in the market during 2018-19

23 991	40 477	75 428
(6 506)	(6 992)	(4 861)
(5 506)	(6 952)	(4 861)
(4 664)	(13 809)	(6 974)
(2 261)	(4 775)	(2 411)
(5 338)	(890)	(449)
(2 889)	(1 668)	(837)
(2 889)	(6 487)	(3 276)
(2 889)	(20 761)	(11 835)
19 716	63 593	
(1 924)		
61 669		

What type of energy products are available in the market?

Energy offers have different pricing structures

In 2018–19, most retailers offered gas and electricity products in the Victorian energy market, with 15 retailers offering both. The range of available products can vary significantly.

Most energy offers have fixed and variable rates that make up your energy bill. Fixed rates or the 'daily supply charge' are often charged as an amount per day. These rates do not depend on how much energy you use.

Variable rates are the amount you are charged for each unit of electricity or gas you use. Variable rates are often referred to by retailers as a 'usage charge'. These are usually presented on your bill as a 'cents per kilowatt hour (kWh)' for electricity, and '\$ per GJ' for gas. Variable rates are often structured in three different ways (see figure 4.1):

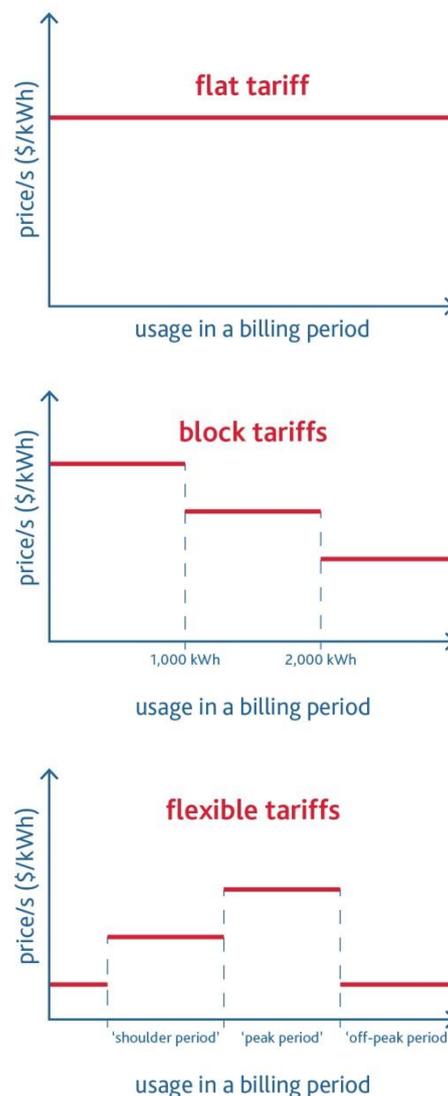
- **Flat tariffs**, which is a single rate that applies to your energy usage regardless of when you use it. This can apply to gas and electricity offers. 27 per cent of generally available electricity market offers are flat tariffs. Three per cent of gas market offers were flat tariffs.
- **Block tariffs** have different rates based on how much energy you use, and differ as you consume more energy. For example, for the first 1,000 kWh of electricity you use (the first 'block') you will be charged at a certain rate, but once you use more than this you will be charged a different rate. The rate per block is often cheaper the more energy you use.

For gas offers, block tariffs can be seasonal, meaning you can have different block tariffs depending on the season. The tariffs during winter are usually higher than in summer. Most

gas market offers for residential customers were block tariffs.

- **Flexible tariffs**, which have different rates based on the time of the day you use electricity. These apply only to electricity offers. Flexible tariffs have peak, off-peak and shoulder time periods where different rates are set. Some flexible tariffs can also have more time periods with corresponding rates.

Figure 4.1 Structures for energy offers





If you have not changed your energy retailer in the past couple of years

You may have what is called a standard contract or standing offer. We determine the terms and conditions of standard contracts, which are set out in our Energy Retail Code.

We did not set the price for standard contracts in 2018–19. However, from 1 July 2019, we recommended to government (who accepted) a set price for simple standard contracts (a flat rate), which is now known as the Victorian Default Offer (VDO). All residential and small business customers on single rate standard contracts were transferred onto the VDO rate.

From 1 January 2020, we set the price for the VDO. The price of the VDO will also apply to other standard contract rates, such as those rates that are time-varying, or have demand charges.

All retailers must offer the VDO and it must be the same for all customers on the same distribution network.

If you have changed retailer before

You are likely to be sold energy on what is called a market contract with your retailer.

Although we determine some minimum standards for market contracts, most of the terms and conditions are set by the retailer. Your retailer can change the price of a market contract at any time, but they must notify you a minimum of five business days before the price change.

Market offers can vary by the following types:

- **Discounted market offers** have discounts attached to their prices. These discounts might be applied under certain conditions, such as for paying your bill on time or for agreeing to only be billed electronically.
- **No discount market offers** have no discounts attached to their prices.
- **Fixed price market offers** are those where the price is fixed for a set period, often 12 to 24 months. These offers may or may not include discounts, depending on the retailer.

If you are on a market contract, you will typically pay less for your energy use than if you are on a standard contract – provided you meet the terms and conditions of the contract.



What to expect when signing up to a new retailer

Before an energy retailer can sign you up as a customer, it must provide you with key information about their energy offer. Energy businesses which do not provide this information cannot sign you up as a customer. We have also introduced new rules that require retailers to be upfront about any terms within a contract that could lead you to paying more than you expect.

You are also entitled to change your mind about entering into an energy contract. Soon after you enter into the contract, energy retailers must provide you with written information about your contract. This includes information such as prices, charges, billing and payment arrangements, the commencement date and duration of the contract.

You then have 10 days to consider the contract and may cancel the contract free of charge within that period. You can also cancel your contract at any time and switch to another contract or another retailer. A small exit fee may be charged (up to \$22).



How have we analysed offers in the energy market?

We regularly obtain information from energy companies to help us report on the type of electricity and gas offers available to residential and small business customers. We also issued a formal notice to Victorian electricity retailers requesting they provide data on what their customers paid for electricity since 2017.

This information helps us understand the prices customers are being offered, and how this compares to what they are paying for electricity.

Analysis of what people actually paid for their electricity contracts

We analysed data that we obtained from retailers about the amount Victorian customers paid to their retailers throughout two years, 2017–18 and 2018–19.

This is the first time we have conducted this type of analysis.

We issued a formal information request to electricity companies. We asked for data about how much customers were paying for their power. We also asked for information to understand the types of contracts they placed customers on.

The retailer data showed that prices remained stable in the 12 months to June 2019 compared to the previous 12 months. Meeting all conditional discounts did not necessarily mean a cheaper electricity bill but missing one or more of the discount conditions was costly. The first half of this section provides an analysis of what people actually paid for their electricity contracts, based on data obtained from retailers via an information notice issued under section 37 of the Essential Services Commission Act 2001.

It also enables us to understand the types of contracts customers are offered and placed on, including contracts with fixed term periods and contracts with pay on time discounts. This type of data is also particularly relevant to our ongoing function to monitor the competitiveness and efficiency of the Victorian energy retail market.

This section explains the difference between the data we collected and included in this report.

Analysis of the electricity and gas offers available in the market at certain times

We regularly analyse the price of energy offers that are published by retailers. These prices are not necessarily what customers are currently paying, but reflect the energy offers that retailers make available for customers to switch to at certain times in the year.

We analyse electricity and gas offers published by retailers on the Victorian Energy Compare website, particularly those available at 30 June each year.

We apply these offers to estimate what a typical residential and small business customer might use each year, if they were on these published offers. For residential customers, we assume a typical customer might use 4,000 kWh of electricity and 54.4 GJ of gas each year. For small business customers, we assume a typical customer might use 12,000 kWh or 500 GJ of gas each year.

The second half of this section provides an analysis of offers available and published by retailers on the Victorian Energy Compare website.



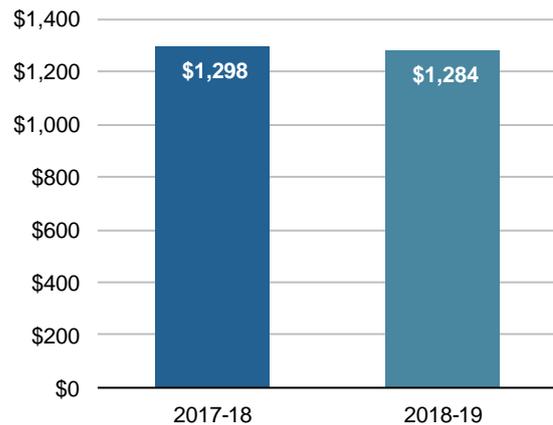
What have customers paid for their electricity bills?

How much did Victorian customers pay for electricity?

The annual price customers pay for a typical household using 4,000 kWh can vary. The average cost for a Victorian customer on a market contract with conditional discounts in 2018–19 varied between \$1,198 and \$1,360 for an entire year. The most expensive plans were standard contracts varying from \$1,268 up to \$1,723 per year (figure 4.3).

We also found that the average price Victorian customers paid for 4,000 kWh of electricity in a year, did not vary significantly between 2017–18 and 2018–19, as shown in figure 4.2.

Figure 4.2 Average price of electricity paid by Victorian customers for 4,000 kWh in 2017–18 and 2018–19



Source: Data obtained from retailers via an information notice issued under s37 of the ESC Act 2001. Analysis includes all standard and market contracts.



There are many offer types available in the market, but how many of these offers are customers actually on?

As at 30 June 2019, we found Victorian retailers published over 100 offers within any distribution zone, (based on the offers we found published by retailers on the Victorian Energy Compare website).

We analysed the distribution of residential customers across contract types from three of the largest electricity retailers using the data from our formal information request. Although there were customers on between 24 and 48 different types of plans for each retailer, we found that four out of every five customers were on only one of three market offers with their retailer.



Figure 4.3 Annualised average electricity bill based on a typical residential customer usage of 4,000kWh per year in 2018–19, by distribution area



Source: Data obtained from retailers via an information notice issued under s37 of the ESC Act 2001.

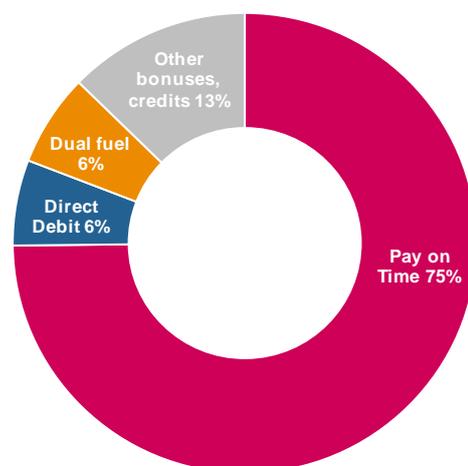
Analysis takes the average rate paid by customers against a typical residential electricity consumption of 4,000 kWh p.a.

Most customers were on electricity contracts with discounts

Based on data obtained directly from retailers, we found that 85 per cent of customers were on market contracts with discounts in 2018–19.

Pay on time discounts feature in the market. Of the accounts with conditional discounts at 30 June 2019, three out of every four had a pay on time discount (as shown in figure 4.4).

Figure 4.4 Breakdown of discount types received by Victorian electricity customers



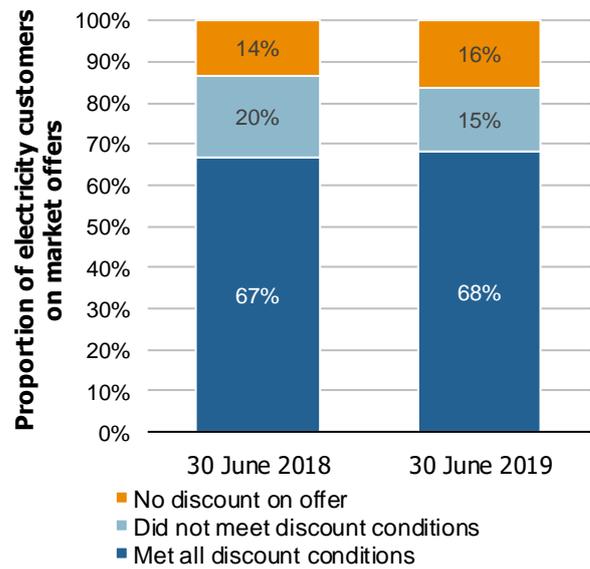
Source: Data obtained from retailers via an information notice issued under s37 of the ESC Act 2001.



Around one in five customers on discounted contracts did not meet the conditions for their discounts

Over 80 per cent of customers with discounted contracts met the conditions to receive their discounts (shown in figure 4.5). However, this means that around one in five customers did not meet part or all the conditions for their discount throughout the year.

Figure 4.5 Breakdown of customers on discounted and undiscounted electricity market contracts



Source: Data obtained from retailers via an information notice issued under s37 of the ESC Act 2001.

Not meeting discount conditions can be costly

Meeting your discount conditions may not result in a cheaper electricity bill.

On average, the total price paid per kWh by consumers when they met all their discount conditions was almost the same as not having any discounts on offer (as shown in figure 4.6).

We found it cost Victorian customers \$188 in 2018-19 and \$268 in 2017-18 for not meeting part or all of the conditions to receive their discounts.

On average, we found that customers paid an additional \$188 across all distribution zones in 2018–19 for not meeting discount conditions.

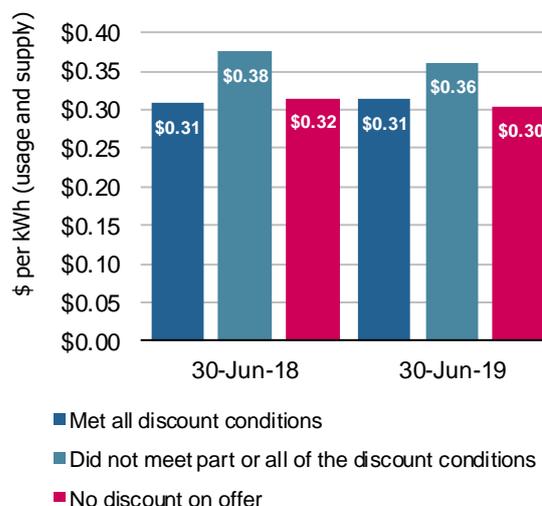
The additional cost for not meeting discount conditions reduced in 2018–19 compared to the previous year (as shown in figure 4.7).

This follows a reduction in the size of discounts offered, with fewer in the higher bands of 30-40 per cent and more in the lower end with discounts of 10 and 11-20 per cent.

For our analysis, the \$ per kWh prices shown are measured by the total amount paid by all customers on a type of offer, divided by the energy consumption of these customers over a 12-month period.

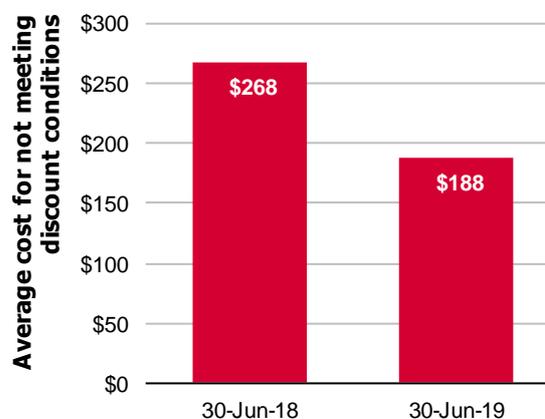
Therefore, average prices are shown as a single \$ per kilowatt hour figure and will not directly reflect the tariff rates of retailers' offers (as it combines the daily supply charge and variable supply charges into a single figure).

Figure 4.6 Average per kWh cost of not meeting discount conditions



Source: Data obtained from retailers via an information notice issued under s37 of the ESC Act 2001.

Figure 4.7 Average total cost of not meeting discount conditions



Source: Data obtained from retailers via an information notice issued under s37 of the ESC Act 2001.

Electricity contracts with a fixed price can be more affordable than those without a fixed price

Fixed price market offers generally have a set price for at least 12 months and can be more affordable than non-fixed price market offers, if there are no conditional discounts attached to the plan.

During 2018-19, when examining offers without any conditional discounts, the fixed price market offers were, on average, more affordable than non-fixed price market offers. In contrast, among the offers with conditional discounts, fixed price offers were more expensive (figure 4.8).

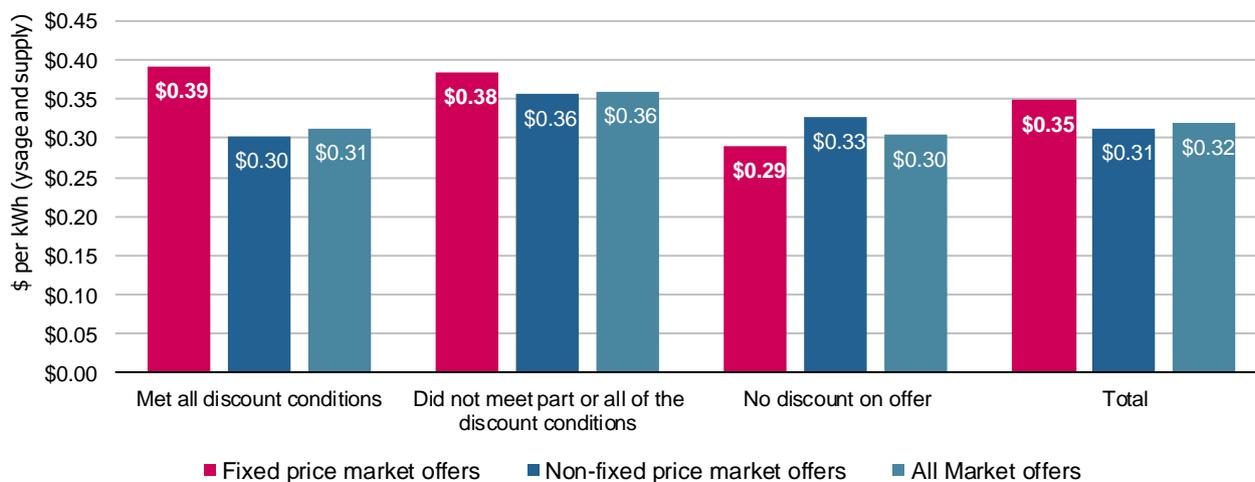
On average, the lowest cost plans in 2018–19 were fixed price market offers with no conditions or discounts attached.

Fixed priced plans can be more expensive if they have conditions attached to the price. In 2018-19 the price paid for a fixed price plan with all discount conditions met was \$0.39 per kWh compared to \$0.30 for non-fixed price plans with all discount conditions met.

We also found that a higher proportion of consumers do not have discounts if they are on fixed rate plans (figure 4.9).

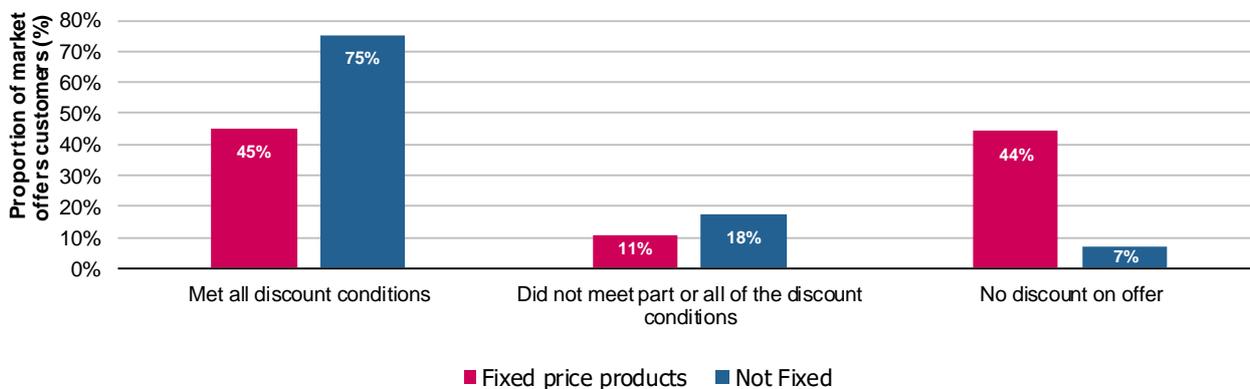
The price customers paid per kWh was highest for fixed-rate plans with large retailers and the lowest for fixed rate plans with medium and small retailers (figure 4.10).

Figure 4.8 Average cost of offers in 2018–19



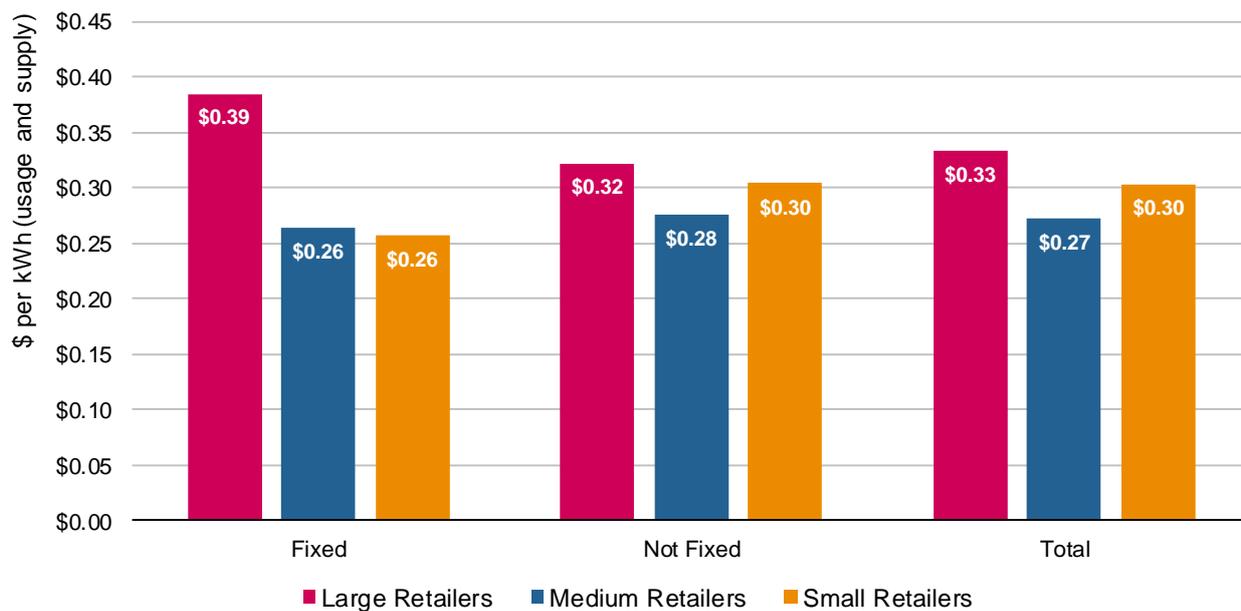
Source: Data obtained from retailers via an information notice issued under s37 of the ESC Act 2001.

Figure 4.9 Proportion of customers meeting discount conditions in 2018–19



Source: Data obtained from retailers via an information notice issued under s37 of the ESC Act 2001.

Figure 4.10 Average price per kWh for fixed and non-fixed market offers by retailer size



Source: Data obtained from retailers by the commission via the issue of a s37 information notice. Source: Data obtained from retailers via an information notice issued under s37 of the ESC Act 2001.



Have the average prices of published energy offers changed in 2018–19?

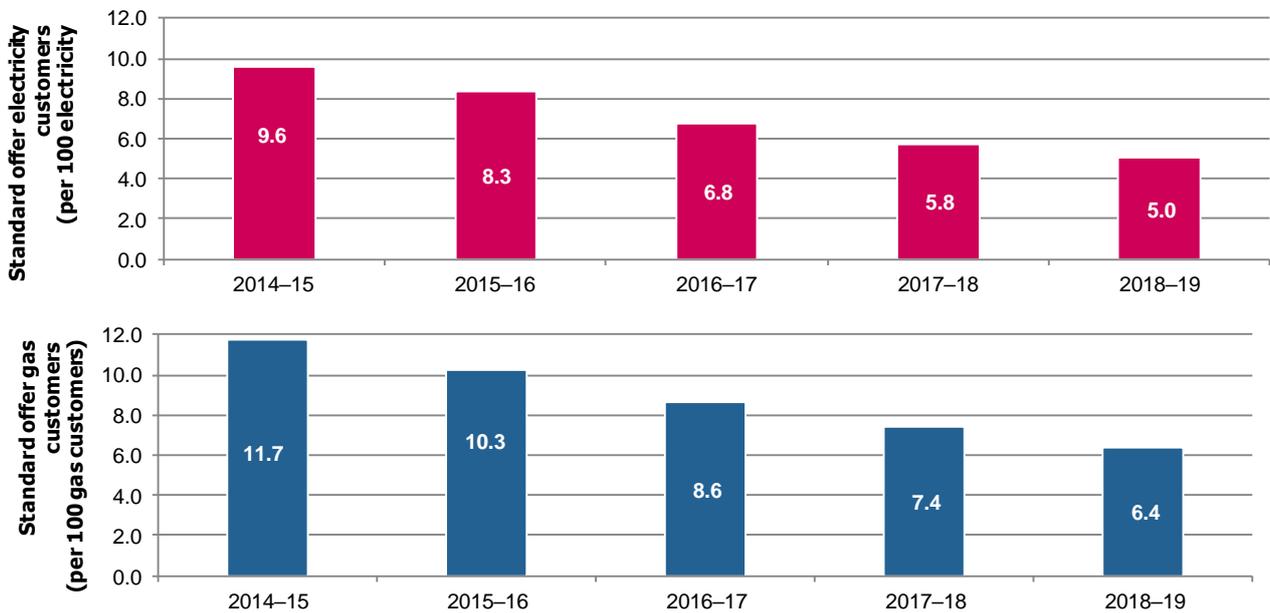
Standard contract offers prices increased in 2018–19

We reviewed the published prices of residential standard contracts on 30 June 2019 and found an average increase of 3 per cent for electricity and 1 per cent for gas compared to 30 June 2018.

For electricity and gas, this was a significantly smaller increase than the year before (prices increased by 16 per cent on 30 June 2018).

From 1 July 2019 the Victorian Default Offer (VDO) came into effect and customers on a flat standing offer received the VDO price. This would save a typical customer around \$310 to \$450 compared to 2018–19 standing offer prices, depending on the distribution zone.

Figure 4.11 Number of residential customers on standard contracts (per 100 customers)



Figures denote the average number of standard contract customers across a given year.



Number of customers on standard contracts continue to fall

The number of energy customers on standard contracts with their retailer has been steadily declining up to June 2019 (figure 4.11).

There is now only half the number of electricity and gas customers on standard contracts compared to five years ago. If you have not changed your retailer in the past, you are likely to have a standard contract.

Only one in 20 electricity customers were on standard contracts with their retailer in 2018–19. There was a total of 129,245 residential customers on standard contracts for electricity. Around one in 15 gas customers were on standard contracts in 2017–18. There were 127,508 residential customers on standard contracts for gas.

Almost all energy customers on standard contracts buy their energy from AGL, EnergyAustralia or Origin Energy (92-93 per cent of standard contract customers), as shown in figure 4.12 and 4.13. Origin Energy had the most standard contract customers, at one in every nine of its electricity customers. Simply Energy, a large retailer with more than 240,000 residential electricity customers, had only one standard contract customer for every 200 of its electricity customers.

Figure 4.12 Share of all standard contracts (electricity)

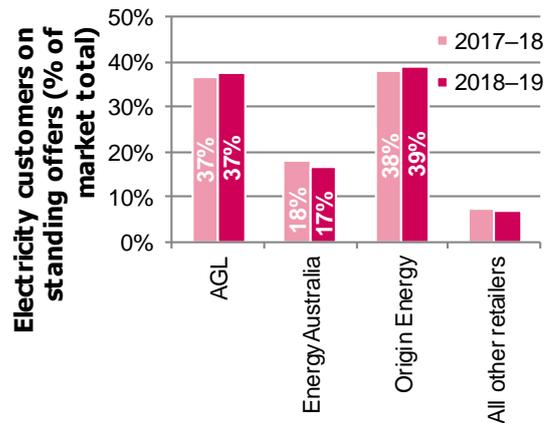


Figure 4.13 Share of all standard contracts (gas)

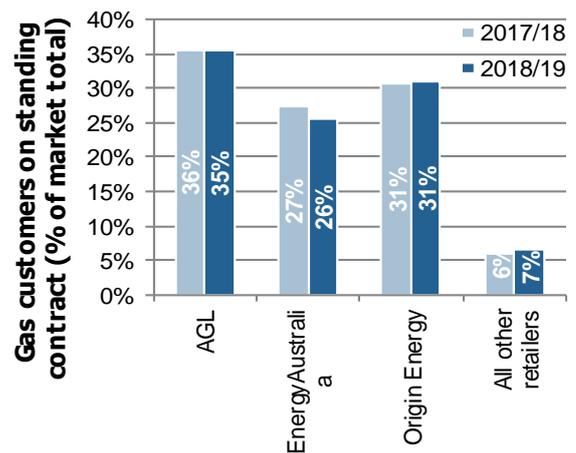
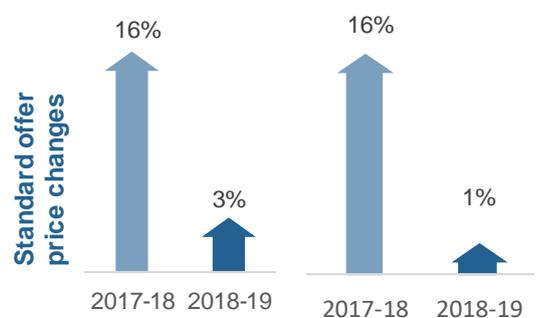


Figure 4.14 Annual residential price changes for standard contract offers





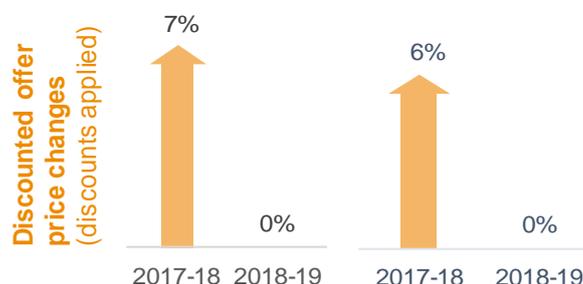
Price of residential market offers in 2018–19 were largely unchanged compared to 2017–18

The average price of published residential discounted electricity and gas market offers was, on average unchanged in 2018–19, if all the conditions of these offers were met, as shown in figure 4.15.

If discount conditions were not fully met, average prices decreased by around three and one per cent for electricity and gas respectively. No discount market offer prices increased by two per cent for electricity and was unchanged for gas.

For small business, the average discounted electricity offer price increased by three per cent and decreased by 10 per cent for gas offers since 2017–18, if all conditions were met. If these conditions were not met, prices decreased by 12 per cent in gas and were unchanged in electricity.

Figure 4.15 Annual residential price changes for discounted market contract offers



When we analyse discounts, we include both conditional and unconditional discounted offers. This has minimal impact on the average price and the additional cost of not receiving the discount.

Table 4.1 Estimated annual residential energy bills based on published offers since June 2015

	Electricity					Gas				
	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019
Standard contracts	\$1,522	\$1,514	\$1,582	\$1,833	\$1,881	\$1,316	\$1,384	\$1,530	\$1,768	\$1,792
(% change from previous year)		-1%	↑ 5%	↑ 16%	↑ 3%		↑ 5%	↑ 11%	↑ 16%	↑ 1%
No discount market contracts	\$1,345	\$1,437	\$1,388	\$1,359	\$1,395	\$1,207	\$1,316	\$1,422	\$1,470	\$1,490
(% change from previous year)		↑ 7%	-3%	-2%	↑ 3%		↑ 9%	↑ 8%	↑ 3%	↑ 1%
Discounted market contracts (with conditions met)	\$1,253	\$1,251	\$1,277	\$1,366	\$1,373	\$1,179	\$1,221	\$1,375	\$1,451	\$1,453
(% change from previous year)		↑ 0%	↑ 2%	↑ 7%	0%		↑ 4%	↑ 13%	↑ 6%	0%
Discounted market contracts (without conditions met)	\$1,465	\$1,521	\$1,622	\$1,805	\$1,759	\$1,329	\$1,401	\$1,553	\$1,745	\$1,735
(% change from previous year)		↑ 4%	↑ 7%	↑ 11%	-3%		↑ 5%	↑ 11%	↑ 12%	-1%

Estimated residential annual bills assume yearly electricity consumption of 4,000 kWh and yearly gas consumption of 54.4 GJ. 2016–17 to 2018–19 prices are based on published flat and multi-flat offers, excluding time-varying rates, controlled loads and standard contracts applying to fewer than 200 customers. Offers are based on those available on 30 June each financial year. Figures include GST.



Table 4.2 Estimated annual small business energy bills based on published offers since June 2017

	Electricity			Gas		
	30 June 2017	30 June 2018	30 June 2019	30 June 2017	30 June 2018	30 June 2019
Standard contracts	\$4,346	\$5,272	\$5,126	\$21,826	\$24,836	\$24,393
(% change from previous year)		↑ 21%	-3%		↑ 14%	-2%
No discount market contracts	\$3,626	\$3,612	\$3,909	\$16,947	\$18,361	\$17,548
(% change from previous year)		0%	↑ 8%		↑ 8%	-4%
Discounted market contracts (with conditions met)	\$3,207	\$3,789	\$3,917	\$16,968	\$20,281	\$18,181
(% change from previous year)		↑ 18%	↑ 3%		↑ 20%	-10%
Discounted market contracts (without conditions met)	\$4,223	\$5,011	\$5,015	\$20,421	\$24,883	\$21,810
(% change from previous year)		↑ 19%	0%		↑ 22%	-12%

Estimated small business annual bills assume yearly electricity consumption of 12,000 kWh and yearly gas consumption of 500 GJ. 2016–17 to 2018–19 prices are based on published flat and multi-flat offers, excluding time-varying rates, controlled loads. Offers are based on those available on 30 June each financial year. Figures include GST.



How can I compare the range of energy offers available in the market?

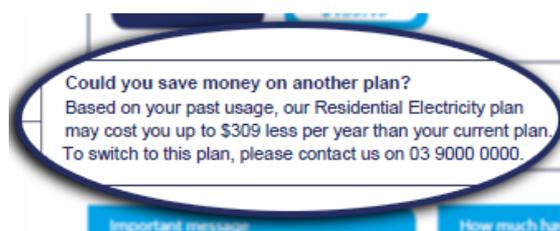
Retailers can make a range of energy offers available to Victorian residential and small business customers. We reviewed the range of energy offers published by retailers on 30 June 2019. We grouped our analysis as follows:

- standard contract offers
- no discount market offers, and
- conditional market offers with discounts offered – highlighting what you could pay with, and without, the discount being applied.

Figure 4.16 over the next page shows that on 30 June 2019, no discount residential offers were \$7 to \$70 lower than the lowest conditionally discounted offer.

For small business, no discount offers ranged from \$10 to \$361 lower than the lowest conditionally discounted offer (as shown in figure 4.17).

Example of best offer information on customer bill



New rules that keep customers informed about best offers and changes that impact bills

We have introduced a set of new rules that apply from 1 July 2019 that focus on building trust through new customer entitlements in the retail energy market.

'Best offer' information for energy consumers. Retailers must tell customers on their bill whether they're on the best energy plan and how much the customer could save by switching, at least quarterly for electricity bills and at least every four months for gas.

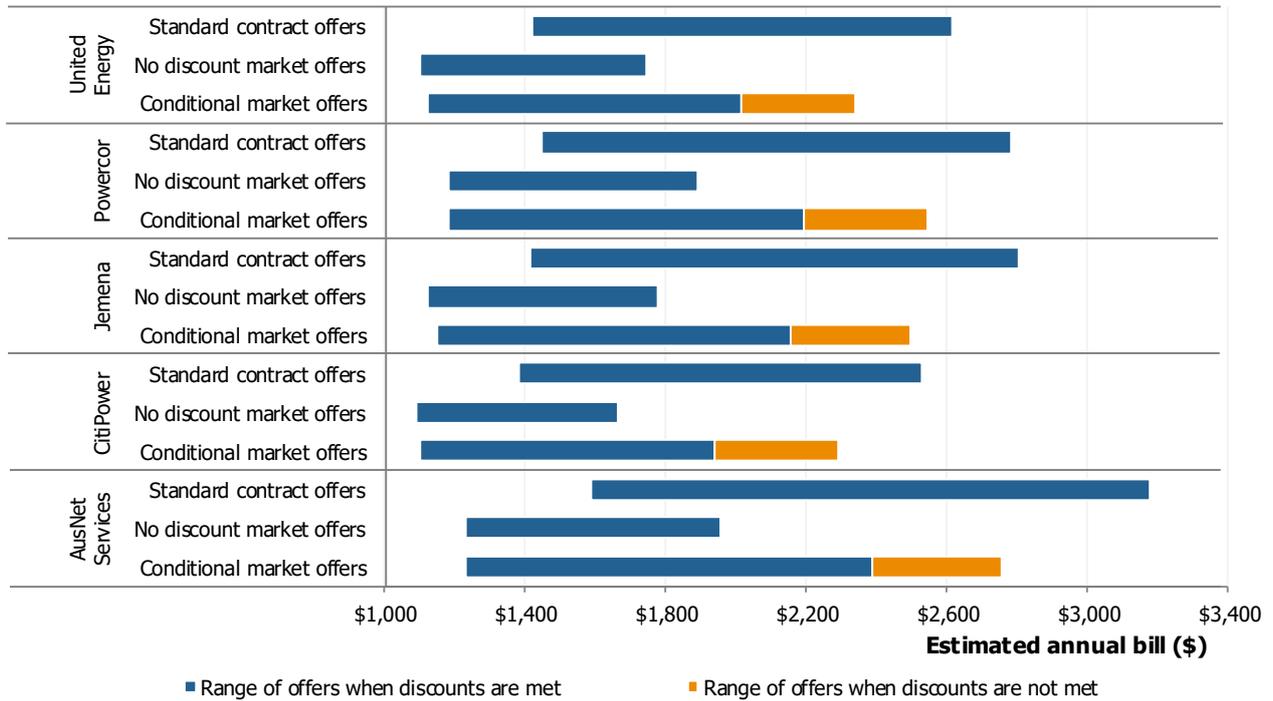
Prior warning of bill changes. Retailers are required to notify a customer at least five days prior to price or benefit change that will affect the customer's bill. When they do this, energy retailers must include a 'best offer' message telling customers whether a cheaper plan is available, and how much the customer could save by switching.

Clear advice before you sign a new energy deal. Retailers must help customers navigate to a product that best suits their circumstances.

Standardised energy fact sheets to help customers compare plan information. Retailers are required to provide customers with energy fact sheets that include a comparison tool that helps to easily compare plans based on the average yearly cost for a range of typical customers. This fact sheet will be available to customers at critical points in their decision-making process.

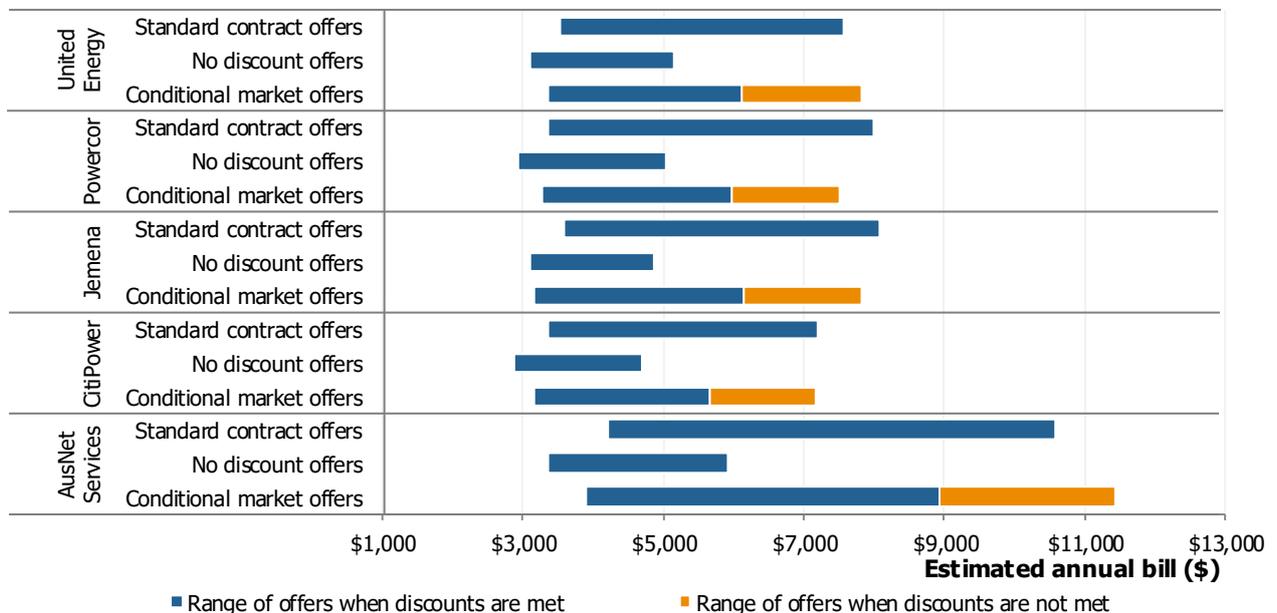


Figure 4.16 Range of electricity offers available (flat and multi-flat), for a residential customer, by distribution area



Annualised bill based on a typical residential customer usage of 4,000kWh per year

Figure 4.17 Range of electricity offers available (flat and multi-flat), for a small business customer, by distribution area



Annualised bill based on a typical small business customer usage of 12,000kWh per year



Comparing the range of electricity offers available in the market

We compared the range of available electricity offers for residential and small business customers, published by retailers on 30 June 2019. As an example, we looked at the offers available in north-west metropolitan Melbourne (refer to figure 1.2).²

In that region, the yearly amount a typical residential customer could pay for electricity ranged from \$1,082 to \$2,158, depending on the retailer market contract, and if conditional discounts were met.

The retailers with the lowest residential electricity market offers were Powerclub, GloBird Energy, and Elysian Energy ranging from \$1,082 to \$1,157 (as shown in figure 4.18). However, if the conditions of discounts were not met, People Energy, CovaU, and GloBird Energy had the highest market offers with costs ranging from \$1,986 to \$2,158 (as shown in figure 4.20). The potential yearly cost of not meeting the conditions for discounts ranged widely between retailers but could be as much as \$507 to \$556 for 1st Energy, Powerdirect and GloBird Energy. This is a significant reduction from the yearly cost of not meeting the conditions for discounts in 2017–18, which reached up to \$767.

For small business, the range of market offers was estimated to be between \$3,051 and \$6,152 depending on the retailer market contract, and if conditional discounts were met. The retailers with the lowest electricity market offers were Powerclub, Powerdirect and AGL ranging from \$3,051 to \$3,273 (as shown in figure 4.19). If the conditional discounts were not met, Simply and

CovaU had the highest market offers, with costs of \$5,980 and \$6,152 respectively.

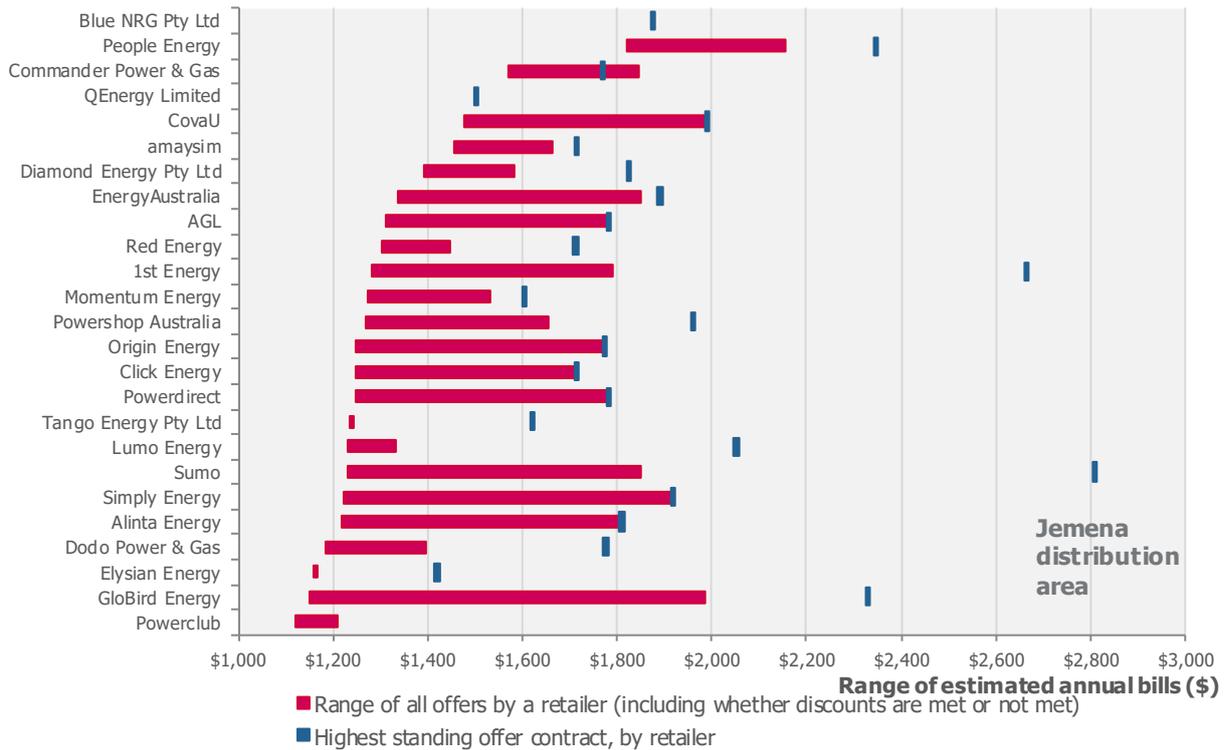
The potential yearly cost for small businesses if they did not meet conditional discounts also ranged widely between retailers but could be as much as \$1,892 and \$1,928 for Sumo and Simply Energy, respectively.

A comparison of residential and small business electricity offers in all distribution areas of Victoria is found in the Energy retail products and prices appendix to this report.

² The Jemena distribution area.



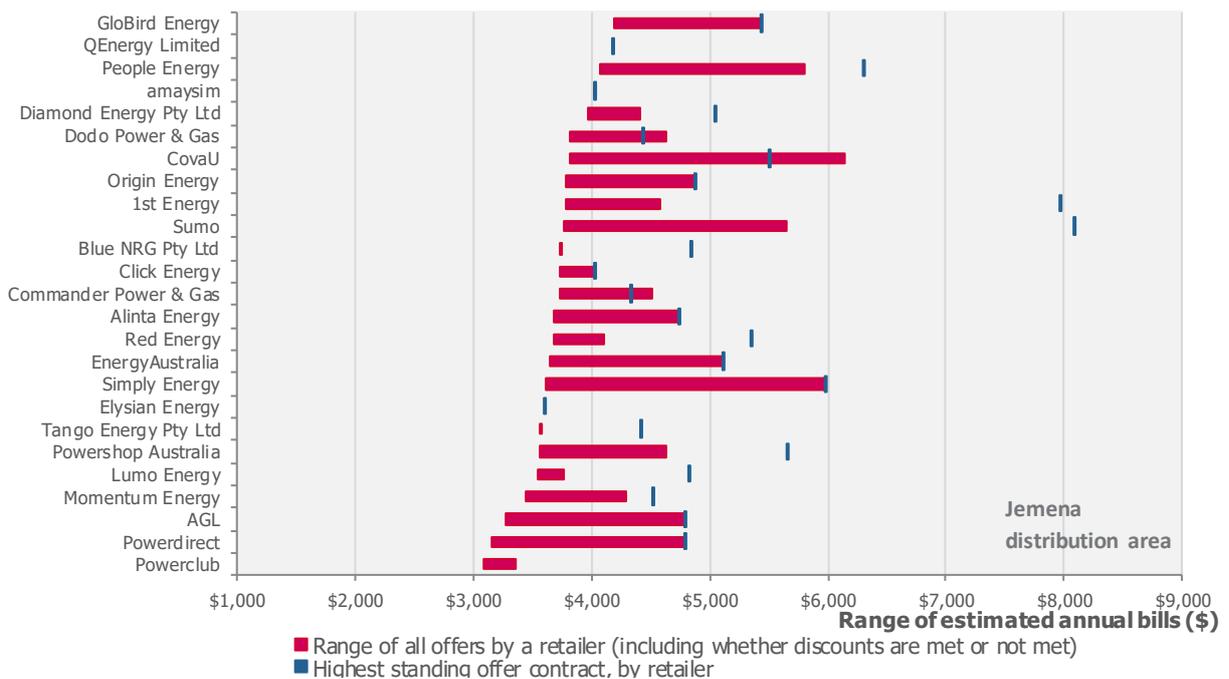
Figure 4.18 Range of all published electricity offers available by a retailer (flat and multi-flat offers only), for a residential customer, in the Jemena distribution area



This figure shows the price range of all the market offers from a retailer (the pink bars) whether the offers are no discount or have discounts that are met or not met. The blue bar shows the highest standard contract on offer from a retailer.

Note: Powerclub had no available standing offer as at 30 June 2019.

Figure 4.19 Range of all published electricity offers available by a retailer (flat and multi-flat offers only), for a small business customer, in the Jemena distribution area



This figure shows the price range of all the market offers from a retailer (the pink bars) whether the offers are unconditional or have discounts that are met or not met. The blue bar shows the highest standard contract on offer from a retailer. **Note:** Powerclub had no available standing offer as at 30 June 2019.

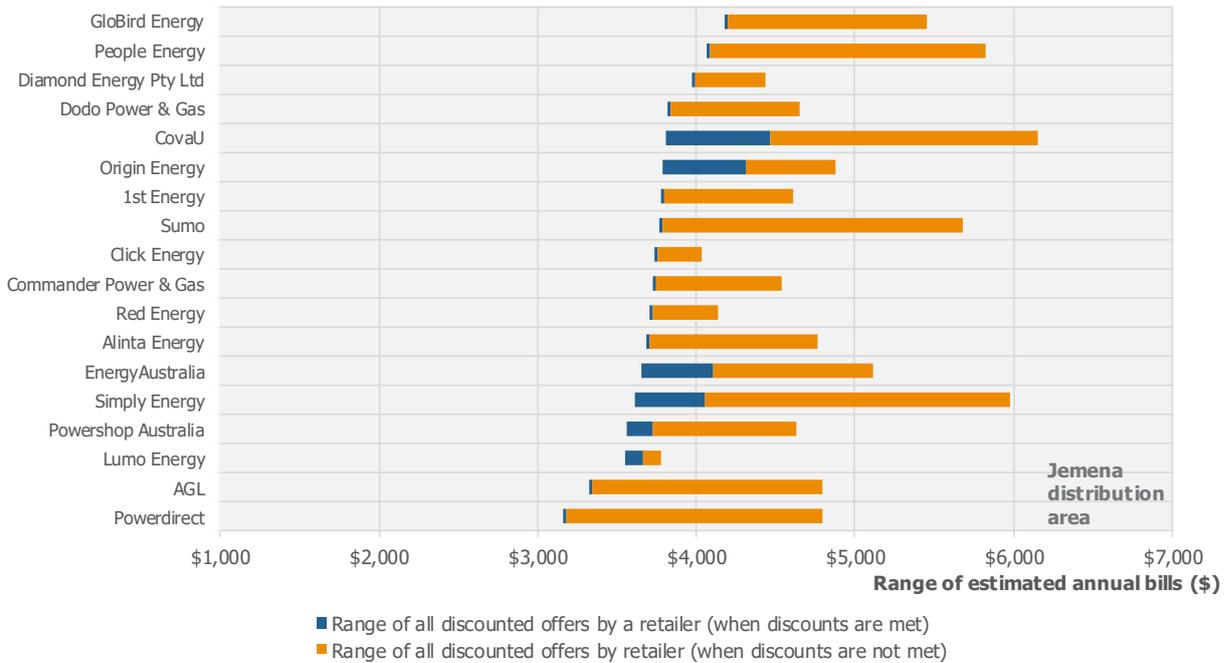


Figure 4.20 Range of all published discounted electricity market offers available (flat and multi-flat), for a residential customer, in the Jemena distribution area



This figure shows the price range of only the discounted market offers from a retailer. Retailers who do not offer any discounted market offers are not shown in this figure. The blue bars show the price range of offers when discount conditions are met, and the orange bars show price ranges if discount conditions are not met.

Figure 4.21 Range of all published discounted electricity market offers available (flat and multi-flat), for a small business customer, in the Jemena distribution area



This figure shows the price range of only the discounted market offers from a retailer. Retailers who do not offer any discounted market offers are not shown in this figure. The blue bars show the price range of offers when discount conditions are met, and the orange bars show price ranges if discount conditions are not met.



Comparing the range of gas offers available in the market

We compared the range of available gas offers for residential and small business customers, published by retailers on 30 June 2019. As an example, we compared the offers available in the central area of Australian Gas Networks' gas distribution area (see figures 4.22 and 4.23).³

We estimate that the yearly amount a typical residential customer could pay for gas ranged from \$1,180 to \$2,117, depending on a retailer's market offer, and whether conditional discounts were met.

The retailers with the lowest residential gas market offers were Origin, AGL and GloBird Energy, ranging from \$1,180 to \$1,249 (as shown in figure 4.22). However, if the conditions of discounts were not met, the retailers with the highest residential market offers were Globird Energy and Click Energy at \$1,922 and \$2,117, respectively (as shown in figure 4.24).

The potential yearly cost of not meeting the conditions of your discount, if you are a typical residential customer, could be as much as \$550 and \$634 for retailers such as Click Energy and Globird Energy respectively (as shown in figure 4.24).

The cost range for small business was estimated to be between \$8,452 and \$37,593 depending on a retailer's market offer (and whether conditional discounts were met), as shown in figure 4.25.

The retailers with the lowest gas market offers were AGL, Lumo and Powershop, ranging from

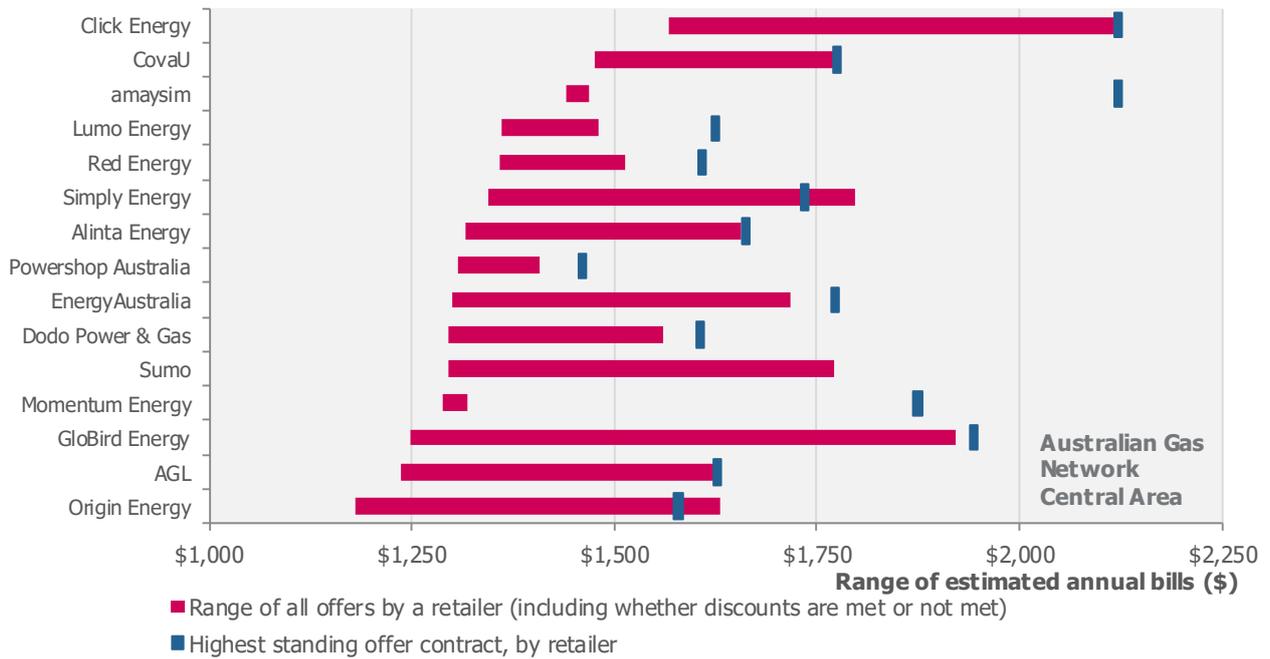
\$8,452 to \$9,152 (see figure 4.23). However, if the conditions of discounts were not met, the retailer with the highest market offer was Simply Energy at \$37,593 (as shown in figure 4.25). The potential yearly cost of not meeting the conditions for your discount, if you are a typical small business customer, could be as much as \$11,165, for example, if you were with Simply Energy (see figure 4.25).

We note that some gas offers were priced very high in the market by some retailers. A comparison of residential and small business gas offers in all distribution areas of Victoria is found in the Energy retail products and prices appendix in this report. This could also be read in context of the performance of retailer market share and other indicators in our Performance of energy businesses appendix in this report.

³³³ The Australian Gas Network – Central area covers the northern parts of metropolitan Melbourne as well as large parts of eastern Victoria including the Mornington Peninsula.

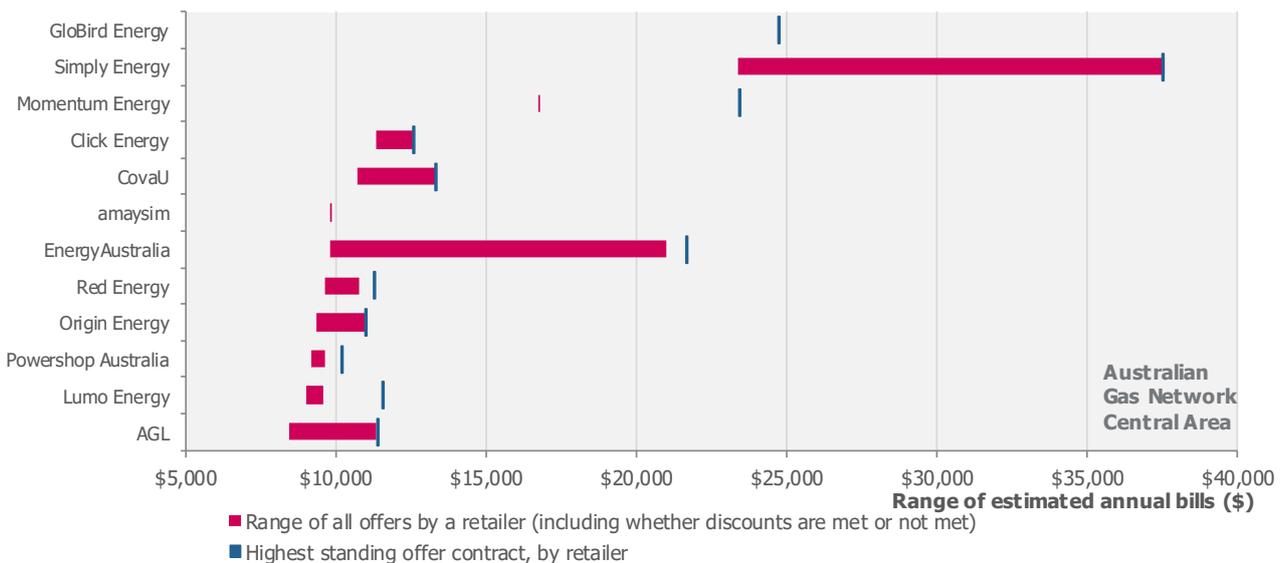


Figure 4.22 Range of all published gas offers available from all retailers, for a residential customer, in the Australian Gas Networks – Central distribution area



This figure shows the price range of all the market offers from a retailer (the pink bars) whether the offers are unconditional or have discounts that are met or not met. The blue bar shows the highest standard contract on offer from a retailer. This figure assumes the yearly gas consumption of a residential customer is 54.4 GJ. Offers are based on those available on 30 June 2019. Figures include GST.

Figure 4.23 Range of all published gas offers available from all retailers, for a small business customer, in the Australian Gas Networks – central distribution area



This figure shows the price range of all the market offers from a retailer (the pink bars) whether the offers are unconditional or have discounts that are met or not met. The blue bar shows the highest standard contract on offer from a retailer. This figure assumes the yearly electricity consumption of a residential customer is 500 GJ. Offers are based on those available on 30 June 2019. Figures include GST.



Figure 4.24 Range of all published discounted gas market offers available from all retailers, for a residential customer, in the Australian Gas Networks – central distribution area



Figure shows the price range of only the discounted market offers from a retailer. Retailers who do not offer any discounted market offers are not shown. Blue bars show the price range of offers when discount conditions are met; orange bars show price ranges if discount conditions are not met. Figure assumes the yearly electricity consumption of a residential customer is 54.4 GJ. Offers are based on those available on 30 June 2019. Figures include GST.

Figure 4.25 Range of all published discounted gas market offers available from all retailers, for a small business customer, in the Australian Gas Networks – Central distribution area

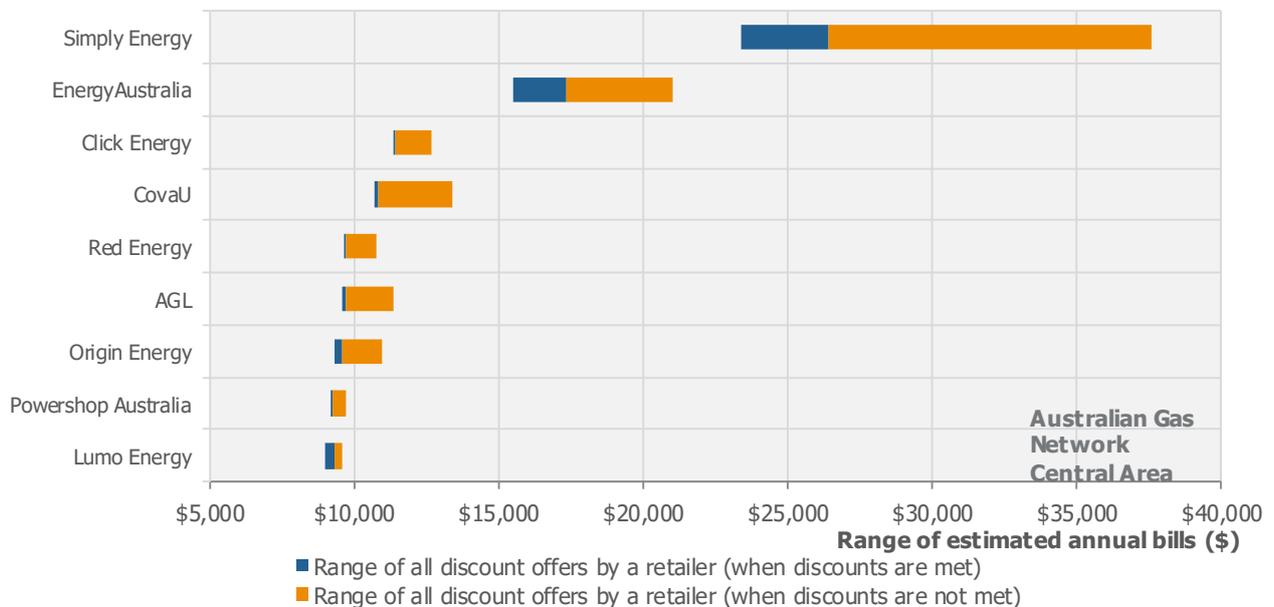


Figure shows the price range of only the discounted market offers from a retailer. Retailers who do not offer any discounted market offers are not shown in this figure. Blue bars show the price range of offers when discount conditions are met; orange bars show price ranges if discount conditions are not met. Figure assumes the yearly electricity consumption of a residential customer is 500 GJ. Offers are based on those available on 30 June 2019. Figures include GST.



Have discounting practices changed for energy offers available in the market?

Most published energy offers continued to have discounts until 30 June 2019

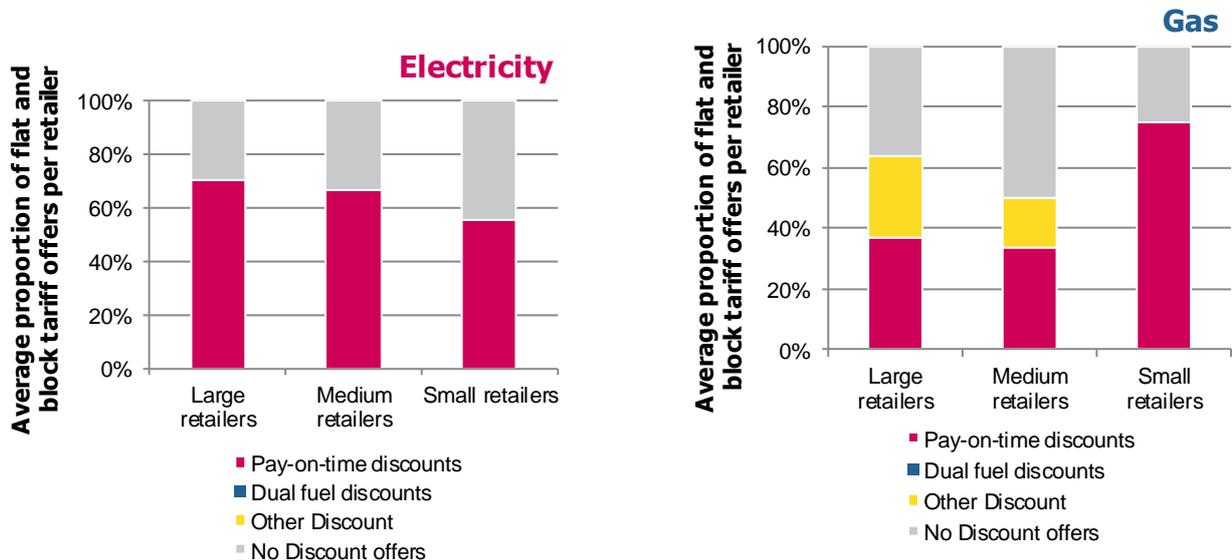
Based on the energy offers published by retailers, we found that in 2018–19, most energy offers available in Victoria continued to have discounts. We reviewed the available flat and block tariff energy offers published by Victorian retailers on 30 June 2019, as shown in figure 4.26.

In 2018–19, 69 per cent of the energy market offers available to residential customers included discounts. For small business, discounts were attached to 63 per cent of generally available market offers.

For electricity, we found that on average, 80 per cent of offers from large retailers had discounts. More than two out of three of offers had discounts that were conditional on you paying your bills on-time (a ‘pay-on-time’ discount). This was a similar breakdown of gas offers available from large retailers. However, all the gas offers from small retailers had pay-on-time discounts.

From 1 July 2019, the advertising of discounted electricity offers was to be referenced with the Victorian Default Offer. We are continuing to examine these rules to provide further clarity for energy customers

Figure 4.26 Average proportion of retailer electricity and gas market offers, by discount type (flat and block tariffs only)





Fewer discounted electricity market offers with smaller discount sizes

The total number of residential electricity market offers has remained relatively unchanged since 30 June 2018. Figure 4.29 shows that of the 327 flat market offers available at 30 June 2019 (in all distribution zones), 66 per cent had discounts.

However, we found a 22 per cent reduction in conditional market offers from the previous year, with 58 per cent of all electricity market offers having conditional discounts on 30 June 2019 (figure 4.30).⁴

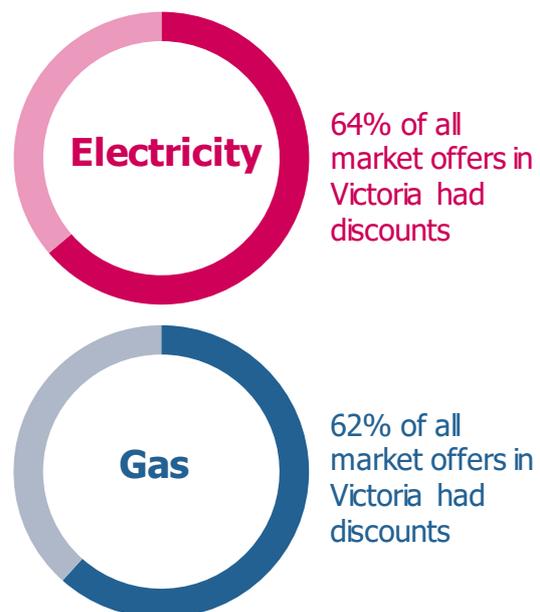
The range of headline discount associated with electricity market offers varied greatly as at 30 June 2019, with offers providing discounts varying between 1 per cent and 47 per cent – discount percentages were generally evenly distributed between this range.

The proportion of discounts between 31 and 40 per cent had also reduced in 2018–19 (figure 4.29).

Figure 4.27 Proportion of residential energy contracts with discounts



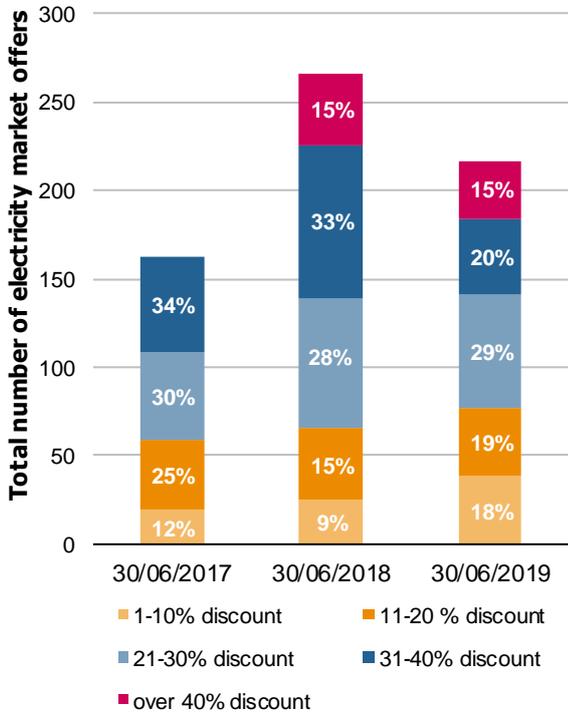
Figure 4.28 Proportion of small business energy contracts with discounts



⁴ Conditional discount offers include discount offers which have conditional and unconditional components within the offer.

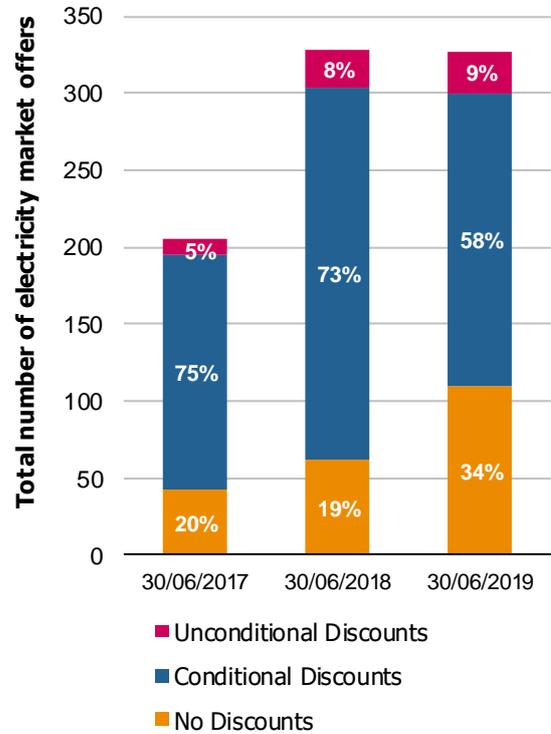


Figure 4.29 Number and proportion of electricity market offers by level of discount offered



Excludes small business market offers

Figure 4.30 Number and proportion of conditional discount, unconditional discount and no discount electricity market offers



Conditional discount offers include those that have both conditional and unconditional components within the offer. Excludes small business market offers.



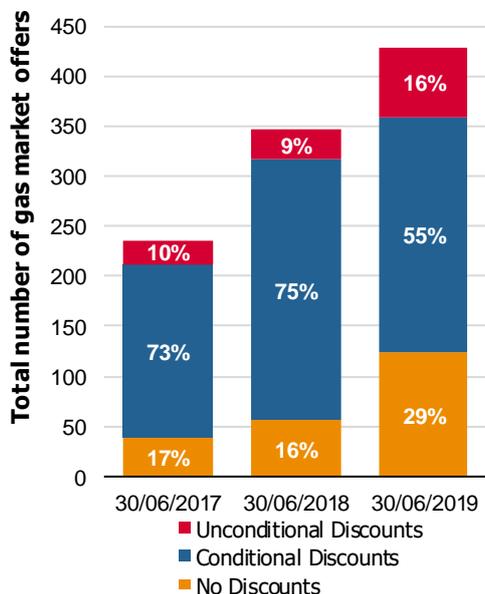
Increasing number of gas market offers

The total number of residential gas market offers has increased by 34 per cent since 30 June 2018. Figure 4.31 shows that of the 428 market offers available at 30 June 2019 (in all distribution zones), 71 per cent had discounts.

The total number of discounted offers available on 30 June has increased by five per cent since 30 June 2018

Conditional discount offers made up 55 per cent of all gas market offers on 30 June 2019 (figure 4.31), representing a 20 per cent reduction in conditional market offers from the previous year.⁵ This reduction was mostly offset by an increase in offers with no discount, which nearly doubled between 30 June 2018 and 2019.

Figure 4.31 Number and proportion of conditional discount, unconditional discount and no discount gas market offers

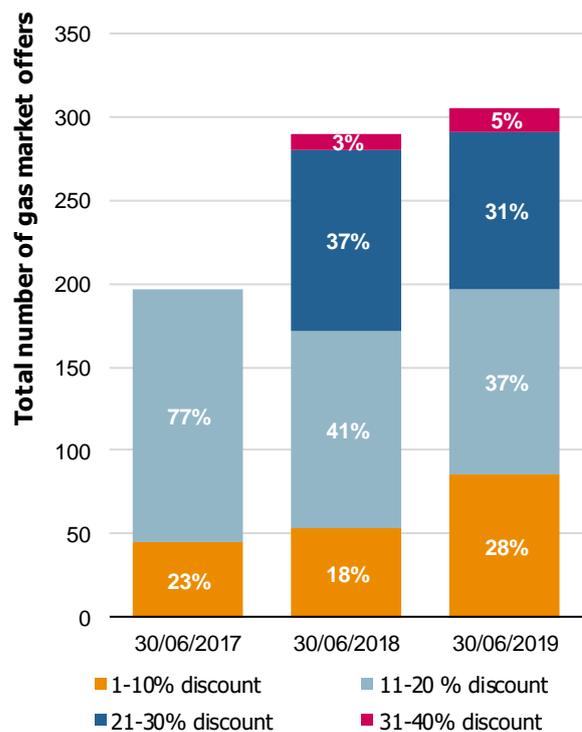


Conditional discount offers include discount offers which have conditional and unconditional components within the offer. Excludes small business market offers.

The range of headline discounts associated with gas market offers varied greatly as at 30 June 2019. With discounts providing discounts of between 1 per cent and 35 per cent. Figure 4.32 shows that the majority of discount offers available on 30 June 2019 provided a discount between 11 and 30 per cent.

Within the last year, the number of discount market offers between 1 and 10 per cent increased the most. While the number of offers providing discounts between 21 and 30 per cent reduced by 13 per cent since June 2018.

Figure 4.32 Number and proportion of gas market offers by level of discount offered



Excludes small business market offers.

⁵ Conditional discount offers include discount offers which have conditional and unconditional components within the offer.



The estimated cost of not meeting conditions of discounts has declined

It is becoming increasingly important for Victorian energy customers to meet their discount conditions. Although the estimated cost of not meeting your discount has recently declined, this is only a small offset from large increases in previous years. This is in line with analysis that shows the range of discounts offered decreasing in the last financial year.

In 2018–19, if a residential customer did not meet the conditions for their discount for the entire year, this would cost \$386 on average for electricity and \$282 on average for gas (based on offers available in the market, see figure 4.33). For small business customers, the additional amount would be \$1,098 for electricity and \$3,629 for gas (see figure 4.34).

The price of residential discounted electricity and gas offers remained relative unchanged in 2018–19. However, the cost of not meeting discount conditions decreased – by 12 per cent for electricity and by 4 per cent for gas in comparison to 2017–18.

Although the cost of not meeting discount have reduced over the last year, the average cost of not meeting discount conditions is still above levels in 2016–17 for electricity and for gas.

These findings are only averages. We have identified some electricity offers where if a residential customer consistently failed to meet discount conditions, they would have paid an additional \$560 over the year.

For small businesses, the cost of not meeting discount conditions on electricity and gas offers decreased by 10 per cent and 21 per cent respectively, in 2018–19.

Figure 4.33 Average annual cost of not meeting all the conditions of a discounted residential energy offer

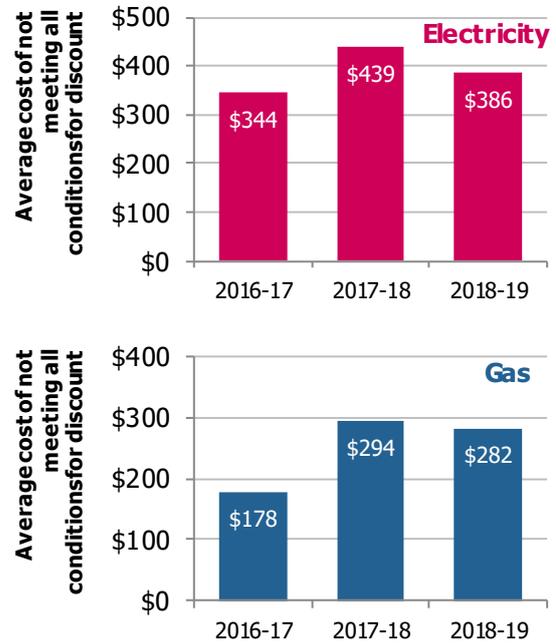
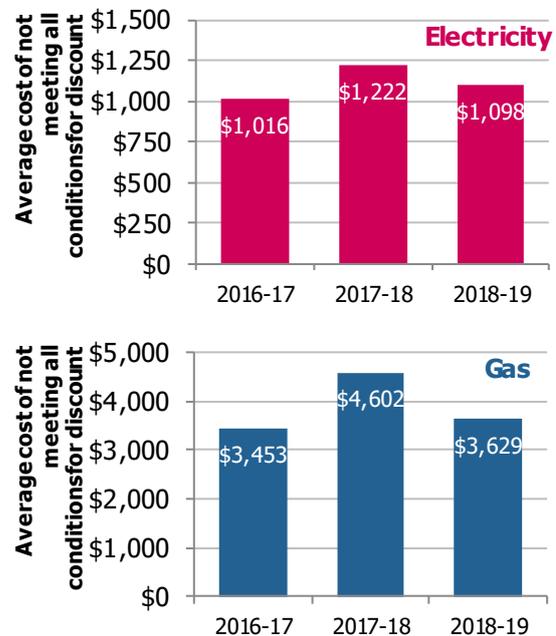


Figure 4.34 Average annual cost of not meeting all the conditions of a discounted small business energy offer



Note that the average cost of not meeting all discount conditions for electricity offers in 2017–18 has been revised from our previous annual report, reflecting updated market prices from electricity retailers.



Table 4.3 Average cost of not meeting discounts for residential energy offers since 2015–16

Average of discounted offers	2015–16	2016–17	2017–18	change from previous year	2018–19	change from previous year
Electricity offers						
Market contracts (when all discount conditions are <u>met</u> over the year)	\$1,251	\$1,277	\$1,366		\$1,373	
Market contracts (when all discount conditions are <u>not met</u> over the year)	\$1,521	\$1,622	\$1,805		\$1,759	
Average cost of not meeting all conditions for discounts	\$271	\$344	\$439	↑ 27%	\$386	↓ 12%
Gas offers						
Market contracts (when all discount conditions are <u>met</u> over the year)	\$1,221	\$1,375	\$1,451		\$1,453	
Market contracts (when all discount conditions are <u>not met</u> over the year)	\$1,401	\$1,553	\$1,745		\$1,735	
Average cost of not meeting all conditions for discounts	\$180	\$178	\$294	↑ 65%	\$282	↓ 4%

Based on a typical residential customer usage of 4,000 kWh of electricity and 54.4 GJ of gas per year.

Table 4.4 Average cost of not meeting discounts for small business energy offers since 2016–17

Average of discounted offers	2016–17	2017–18	change from previous year	2018–19	change from previous year
Electricity offers					
Market contracts (when all discount conditions are <u>met</u> over the year)	\$3,224	\$3,756		\$3,917	
Market contracts (when all discount conditions are <u>not met</u> over the year)	\$4,272	\$5,050		\$5,015	
Average cost of not meeting all conditions for discounts	\$1,048	\$1,222 ^a	↑ 20%	\$1,098	↓ 10%
Gas offers					
Market contracts (when all discount conditions are <u>met</u> over the year)	\$16,968	\$20,281		\$18,181	
Market contracts (when all discount conditions are <u>not met</u> over the year)	\$20,421	\$24,883		\$21,810	
Average cost of not meeting all conditions for discounts	\$3,453	\$4,602	↑ 33%	\$3,629	↓ 21%

Based on a typical small business customer usage of 12,000 kWh of electricity and 500 GJ of gas per year.

(a) Note that the average cost of not meeting all discount conditions for electricity offers in 2017–18 has been revised from our previous annual report, reflecting updated market prices provided by electricity retailers.



A higher discount percentage does not mean it is a better priced offer

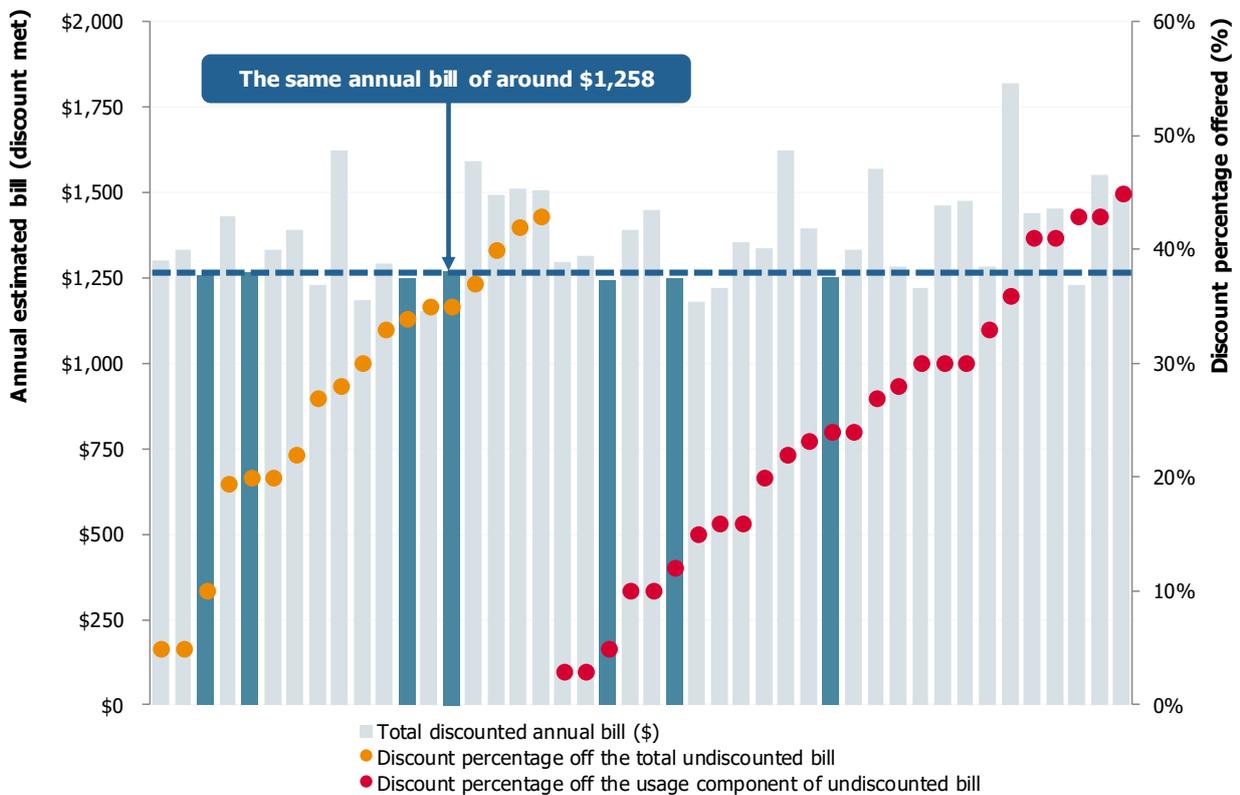
We reviewed all offers generally available in the market on 30 June 2019 and found that typically the highest claimed discounts were associated with substantially higher prices.

For example, as shown in figure 4.35, one retailer claimed a discount of around 45 per cent but a typical bill based on its rates would have been at least \$200 more expensive than the lowest offer in the market.

We also found several individual electricity offers with different discounts that led to the same estimated annual bill. In the figure below, the dark blue bars identify 7 offers that end up with the customer paying around \$1,258 per year, even though these 7 offers all had different advertised discounts ranging between 5 and 35 per cent.

How to read the following charts
The coloured bars show how much you would pay under each discounted energy offer available in the market (as long as you met all the conditions to receive those discounts).
The dots show the advertised discount percentage offered by a retailer on each of these offers. The orange dots represent discounts off the total bill, while red dots show discounts off the usage part of the bill only.

Figure 4.35 Discounted electricity offers (flat and multi-flat tariffs) ranked by lowest to highest discount, for a residential customer (in the Jemena area), available on 30 June 2019

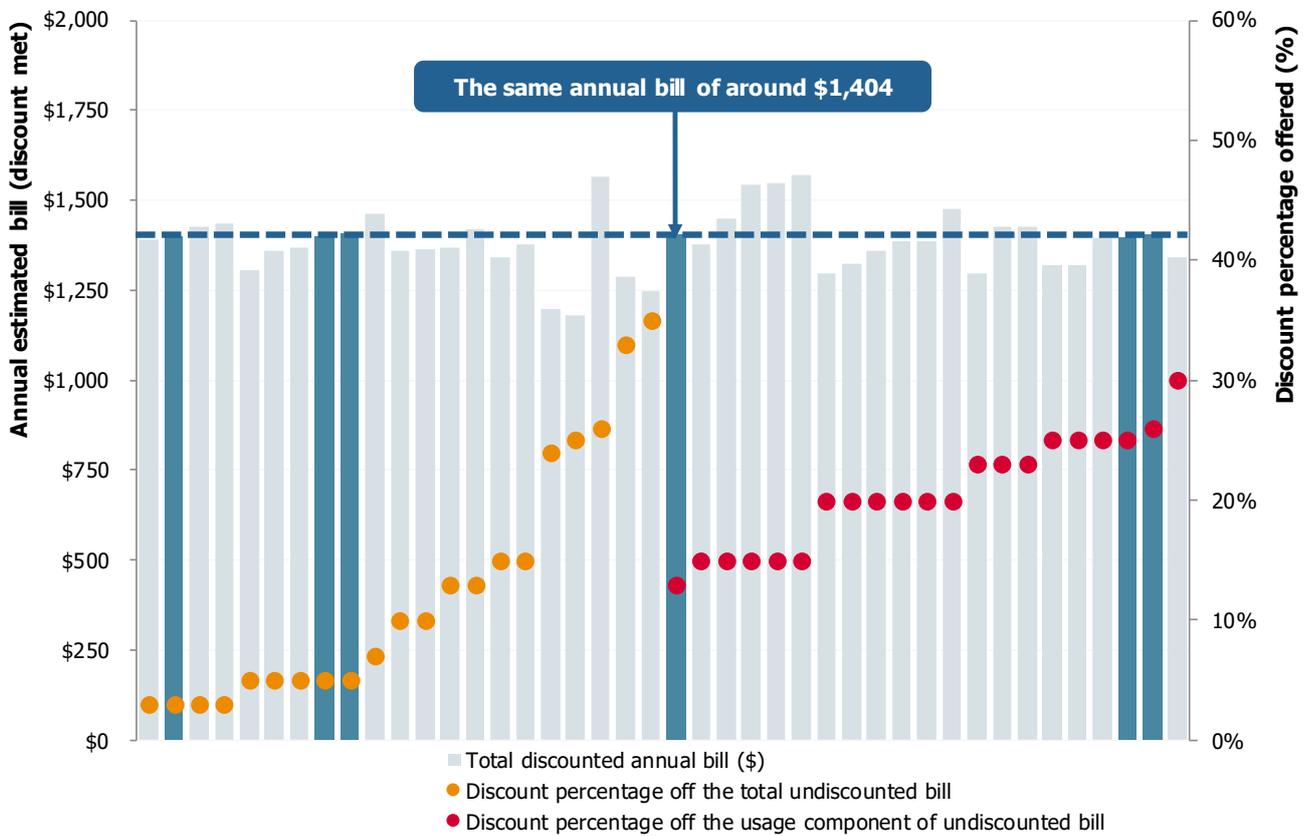


Annualised bill based on a typical residential customer usage of 4,000kWh per year. Offers are based on those available on 30 June 2019.

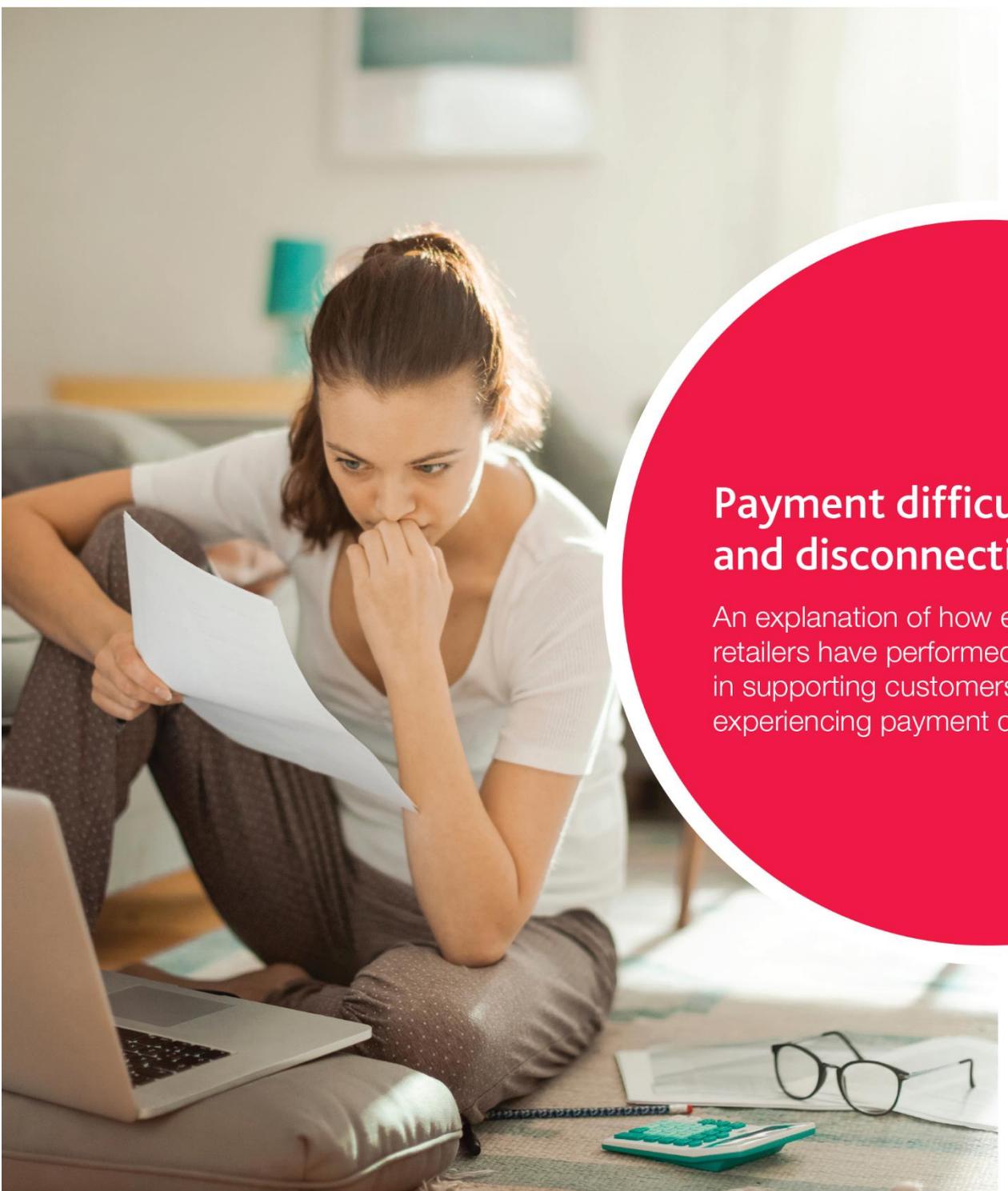
We also observed similar patterns between discounts and the estimated annual bill for gas offers on 30 June 2019. However, there was a smaller range of headline discounts on gas offers compared to electricity offers.

As shown below, we identified at least six gas offers with five different discount amounts that resulted in approximately the same estimated annual bill of \$1,404.

Figure 4.36 Discounted gas offers (flat and multi-flat) ranked by lowest to highest discount, for a residential customer (in the Australian Gas Networks central supply zone), available on 30 June 2019



This figure assumes the yearly gas consumption of a residential customer is 54.4 GJ. Offers are based on those available on 30 June 2019.



Payment difficulty and disconnection

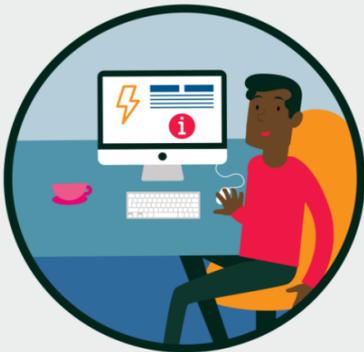
An explanation of how energy retailers have performed in supporting customers experiencing payment difficulty



Having trouble paying your bills?

We've introduced new rules to help Victorian households with their energy bills.

If you need help staying on top of your energy bills



Ask your energy business for 'standard assistance'.

You can access three of the following payment options:

- pay smaller amounts more often
- change how often you pay
- delay payment of a bill (you can do this once per year)
- pay in advance when you have the money.

If you have an unpaid energy bill, but can afford to pay for your ongoing use



Ask your energy business for 'tailored assistance'.

Your energy business will also contact you to offer help if you miss a bill and owe more than \$55.

Your energy business must offer you:

- a plan to pay off your bills (up to two years)
- information on your energy use and how to lower it
- advice on other assistance (including government-funded grants and energy concessions).

If you have unpaid energy bills and can't afford your ongoing use



Ask your energy business for 'tailored assistance' and let them know you can't afford to pay for your ongoing energy use.

Your energy business will also contact you to offer help if you miss a bill and owe more than \$55.

Your energy business must offer you:

- a pause on your debt payments for six months
- to pay less than the full cost of your energy use (this may be added to the amount you owe later)
- information on your energy use and how to lower it
- advice on other assistance (including government-funded grants and energy concessions)
- the best price that works for you
- practical help to reduce your energy bills (for example, use of energy efficiency products).



What do customers experience when facing payment difficulty?

If you find it difficult to pay your energy bill, you may be able to access different forms of assistance from your retailer.

Before 1 January 2019, retailers offered varying levels of assistance and hardship programs to help customers. However, new rules are now in effect that require retailers to provide minimum forms of assistance to all customers facing payment difficulty.⁶⁶

Instead of customers reaching out to their retailer for assistance, retailers are now required to offer help if a customer misses a bill and owes more than \$55. Prior to 1 January 2019 we monitored the experience of customers participating in the hardship programs operated by retailers under the former energy rules. From 1 January 2019 onwards, we have monitored the experience of customers participating in assistance programs under the new Payment Difficulty Framework.

Where possible, we have compared the change in customer's experience from the first half of 2018–19 (that is, 1 July to 31 December 2018) and the second half of 2018–19 (1 January to 30 June 2019). However, due to differences in the Payment Difficulty Framework, some indicators may not be directly comparable to past measures.

The following sections discuss:

- The number of customers that have participated in hardship or assistance programs.
- The size of debt customers have accumulated when entering hardship or assistance programs.
- Why customers have exited hardship or assistance programs.
- Customers in debt not on hardship programs or receiving assistance.
- Customer disconnections.
- Customer who haven't received assistance that are disconnected.



Community views on facing payment difficulty

We sought to identify the qualitative experience customers have had in their interactions with their energy retailers since the Payment Difficulty Framework was introduced. To do this, we interviewed seven family violence financial counsellors, six generalist financial counsellors, three community workers and four customers. Their views are included below in similar pink comment boxes.

⁶⁶ The new rules associated with the payment difficulty framework came into effect on 1 January 2019.



Retailers must offer assistance to customers who fall behind on their electricity and gas bills

From January to June 2019, the average number of customers receiving tailored assistance was 64,508 for electricity and 46,975 for gas across all residential. This represented 2.49 per cent of all Victorian electricity customers and 2.35 per cent of all Victorian gas customers.

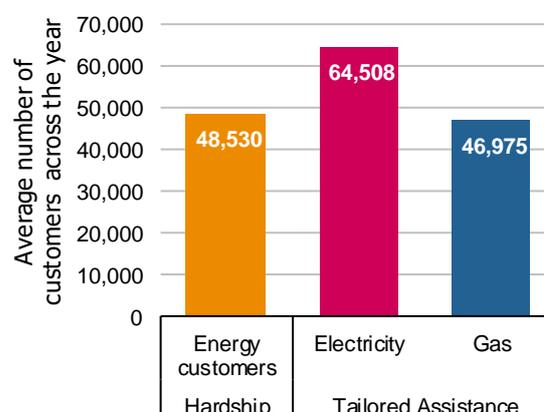
The retailer with the largest percentage of tailored assistance customers relative to its customer base was AGL for electricity (4.53 per cent) and Momentum for gas (3.23 per cent) (figure 5.2).

The retailer with the lowest percentage of tailored assistance customers relative to its customer base was GloBird for electricity (0.09 per cent) and gas (0.02 per cent).

Customers now have the option to receive standard assistance to access more flexible payment options and do not need to be in arrears in order to access this assistance. This form of assistance is available to all customers. The aim of standard assistance is to encourage customers to take early action to avoid getting into arrears.

Relative to its customer base, EnergyAustralia had the largest percentage of standard assistance participants across electricity and gas customers, at 6.7 per cent and 6.6 per cent respectively (figure 5.4).

Figure 5.1 Number of customers participating in tailored assistance or hardship programs across the year.



Prior to the commencement of the Payment Difficult Framework there were 48,530 energy customers⁷ on hardship programs across the first six months of 2018–19. This represented just over one per cent of all energy customers. This was unchanged from 2017–18.

The retailer with largest representation of hardship customers across July to December 2018 was AGL, at 1.5 per cent of their energy customers (figure 5.2).

The retailer with the lowest representation of hardship customers was Powershop, at 0.3 per cent of their energy customers (figure 5.2).

Overall hardship numbers were relatively unchanged over the first six months of the financial year.

Awareness of support for paying bills

The consumer advocates we interviewed said that mostly, customers knew they could get support from their retailer if they were having trouble paying their bills. However, many noted that there are personal circumstances that still inhibit customers from seeking assistance (e.g. language difficulties). Overall, some change was seen in customers' awareness of support, but this was not consistent.

'I guess [consumers] do know they can contact them, but whether they do is another question—I think they still feel extremely intimidated by the retailers and feel that they don't get heard.' - Customer advocate



⁷⁷ Hardship participant numbers are reported for energy debt, not separately for gas and electricity.



Figure 5.2 Number of electricity customers participating in tailored assistance or hardship programs⁸, by retailer

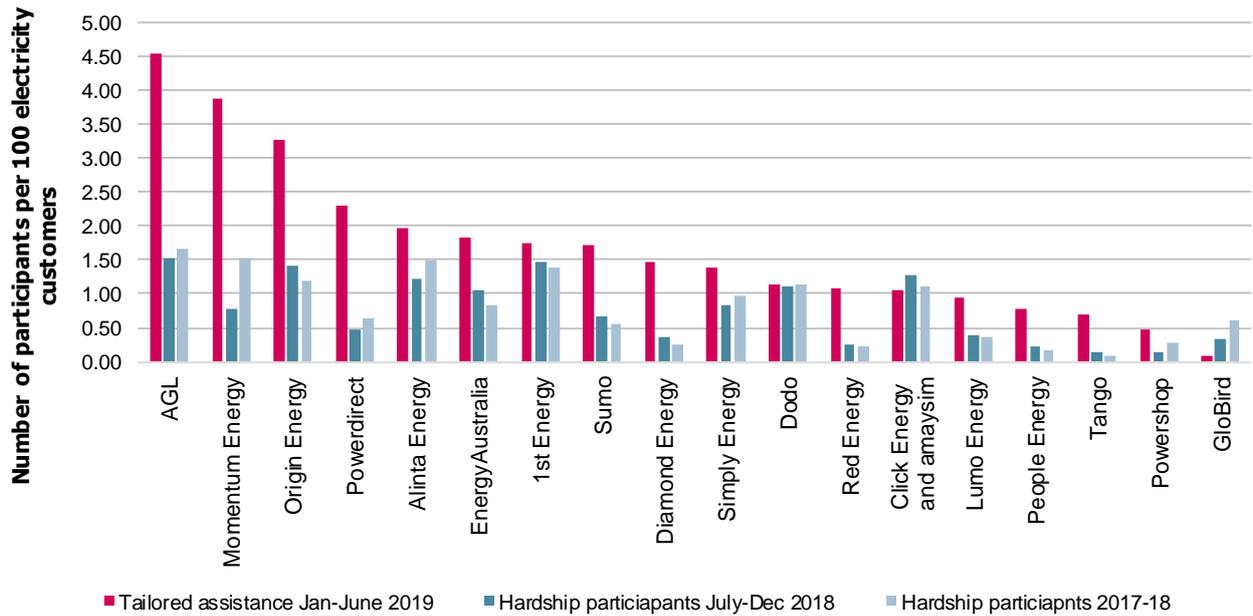


Figure includes only retailers with at least 1,000 residential electricity customers. QEnergy (7.48) and CovaU (2.60) were excluded.

Figure 5.3 Number of gas customers participating in tailored assistance or hardship programs⁹, by retailer

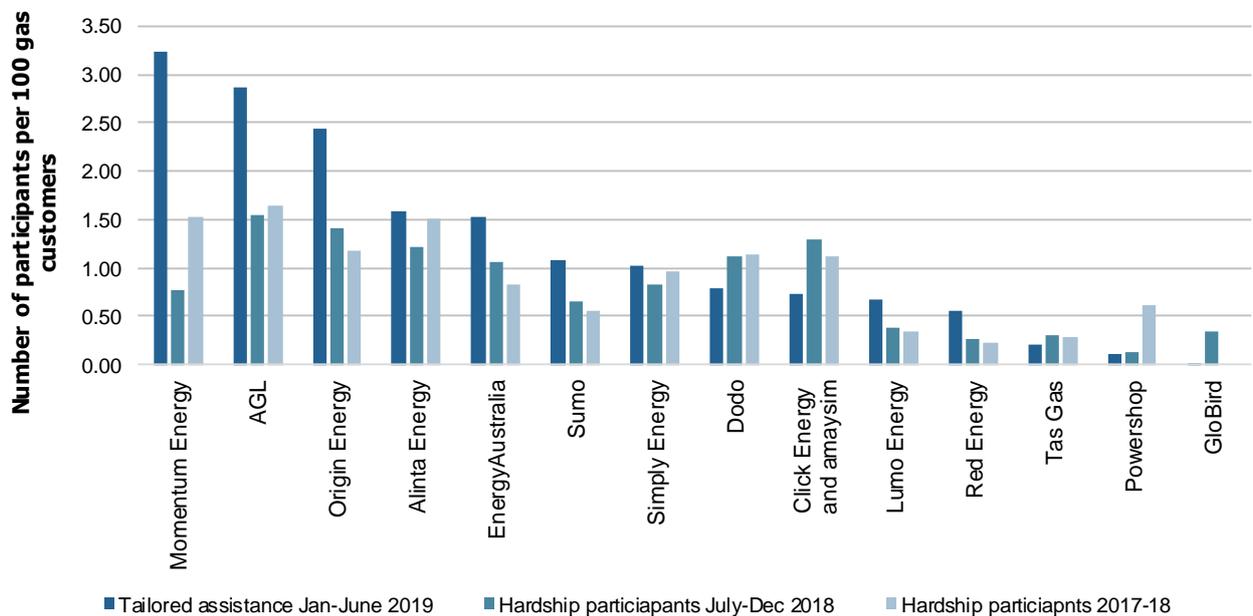


Figure includes only retailers with at least 1,000 residential electricity customers. TasGas (0.22) and CovaU (1.30) were excluded.

⁸ Hardship participant numbers are reported for energy customers, not separately for gas and electricity.

⁹ Hardship participant numbers are reported for energy customers, not separately for gas and electricity.



Figure 5.4 Number of electricity customers participating in standard assistance, by retailer

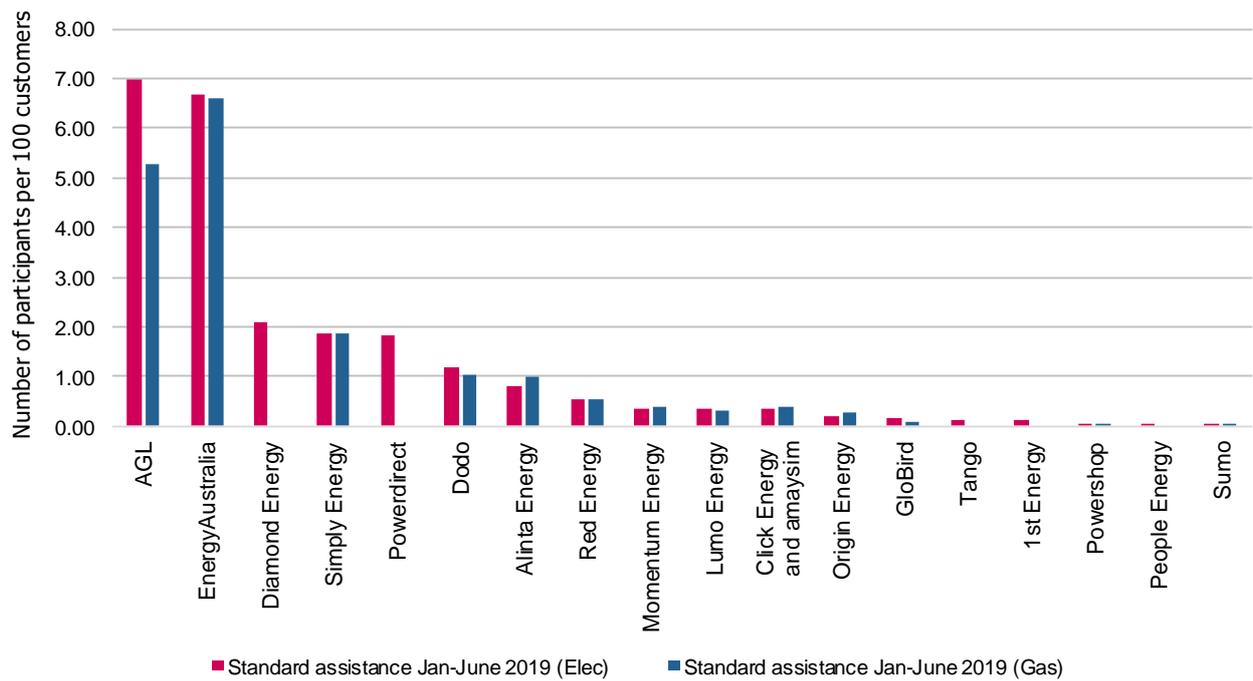


Figure includes only retailers with at least 1,000 residential electricity customers. EnergLocals, QEnergy and CovaU were excluded.



Customers are accessing assistance from retailers earlier than previously

Since January 2019, on average customers are entering tailored assistance with lower levels of arrears than previously. We found that customers entering tailored assistance with over \$2,500 of arrears was five per cent for electricity and four per cent for gas compared to nearly 15 per cent under the hardship programs.

We found that since January 2019, a higher proportion of those customers receiving tailored assistance, 55 per cent of electricity and 64 per cent of gas, enter into assistance before they reach \$500 in arrears.

For electricity, Click energy/amasyim energy had the highest percentage of participants receiving tailored assistance with bill arrears over \$2,500 – at 27 per cent of participants (see figure 5.6). Origin energy on the other hand, appeared to have provided more timely access to assistance, with 71 per cent of participants (15,387 participants) entering their tailored program with less than \$500 of electricity arrears.

For gas, Click energy /amasyim energy had the highest percentage of participants receiving tailored assistance with gas arrears over \$2,500 – at 19 per cent of participants (see figure 5.7). In contrast, Origin energy appeared to provide more timely access to assistance, with 79 per cent of participants (10,007 participants) receiving tailored assistance with less than \$500 of gas debt

Energy retailers have reported to us the number of customers receiving assistance under the new payment difficulty framework. However, we note that a significant proportion of new entrants recorded from 1 January 2019 may represent:

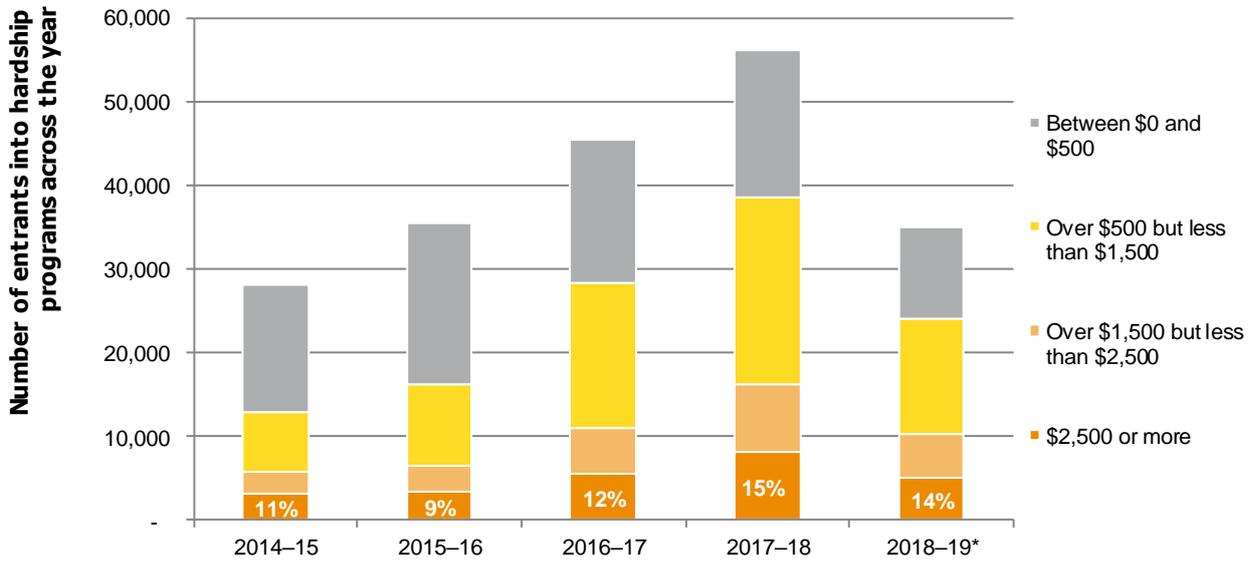
- Customers previously participating in a hardship program now counted as a 'new entrant' to tailored assistance
- Retailers counting customers with debt fluctuating above and below \$55 from month to month as 'new entrants' to tailored assistance each time the customer's debt is over \$55.

From July to December 2018, on average energy customers entered hardship programs with nearly identical levels of debt as 2017–18. We found that one in seven participants (15 per cent or 5,036 individuals) were entering hardship programs with over \$2,500 in energy debt (as shown in figure 5.5).

Sumo had the highest percentage of participants entering a hardship program with debt over \$2,500 – at 30 per cent and 25 per cent of participants respectively (see figure 5.6). Click and amaysim energy on the other hand, appeared to have provided more timely access to assistance, with 58 per cent of participants (922 participants) entering their hardship program with less than \$500 of energy debt.

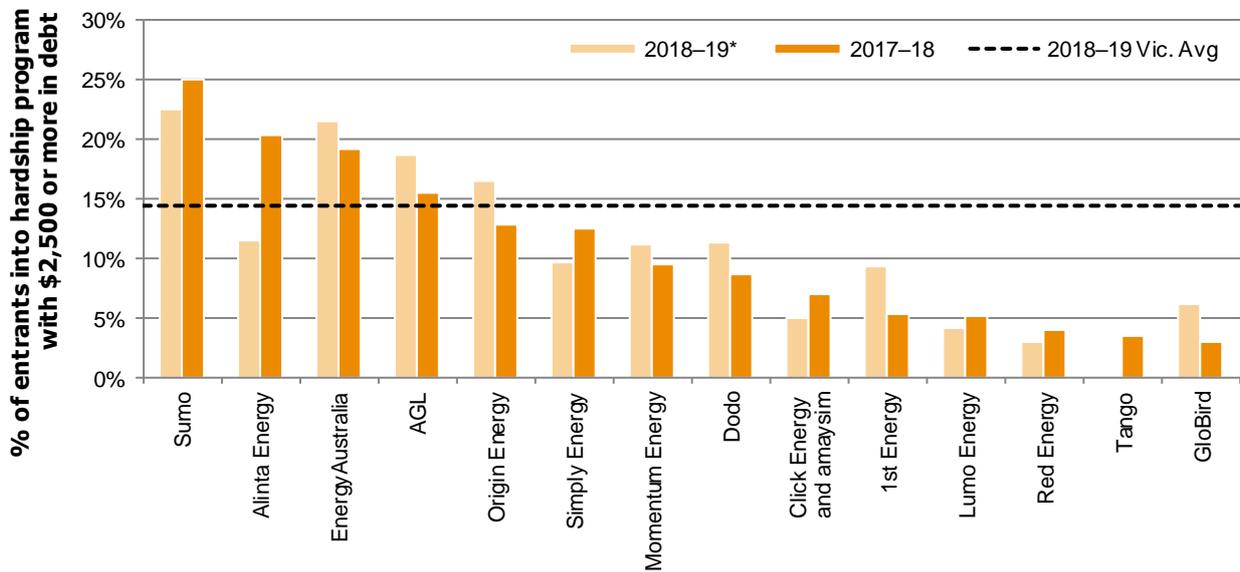


Figure 5.5 Participants' energy debt on entry to tailored assistance or hardship program



2018-19 includes only six months of data under the hardship program.

Figure 5.6 Percentage of participants entering hardship program with over \$2,500 in energy debt, by retailer



Entries from 1 January 2019 does not include entries into standard assistance



Figure 5.7 Percentage of electricity participants entering tailored assistance or hardship program with over \$2,500 in electricity debt, by retailer

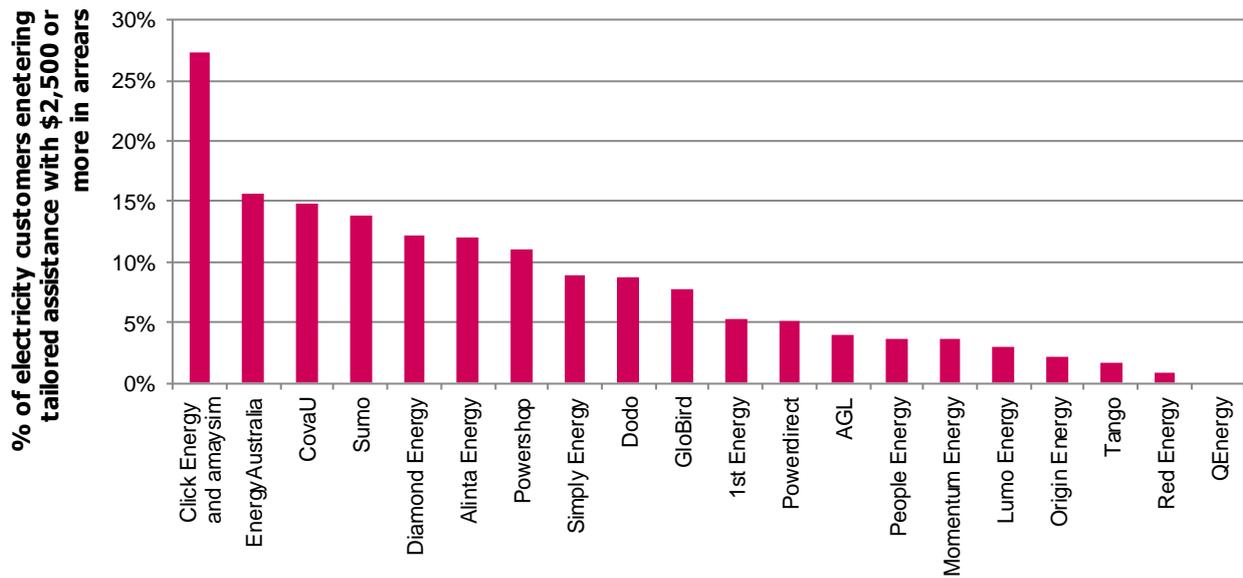


Figure includes only retailers with at least 20 entrants across the 2018–19 year. Entries from 1 January 2019 does not include entries into standard assistance

Figure 5.8 Percentage of gas participants entering tailored assistance or hardship program with over \$2,500 in gas debt, by retailer

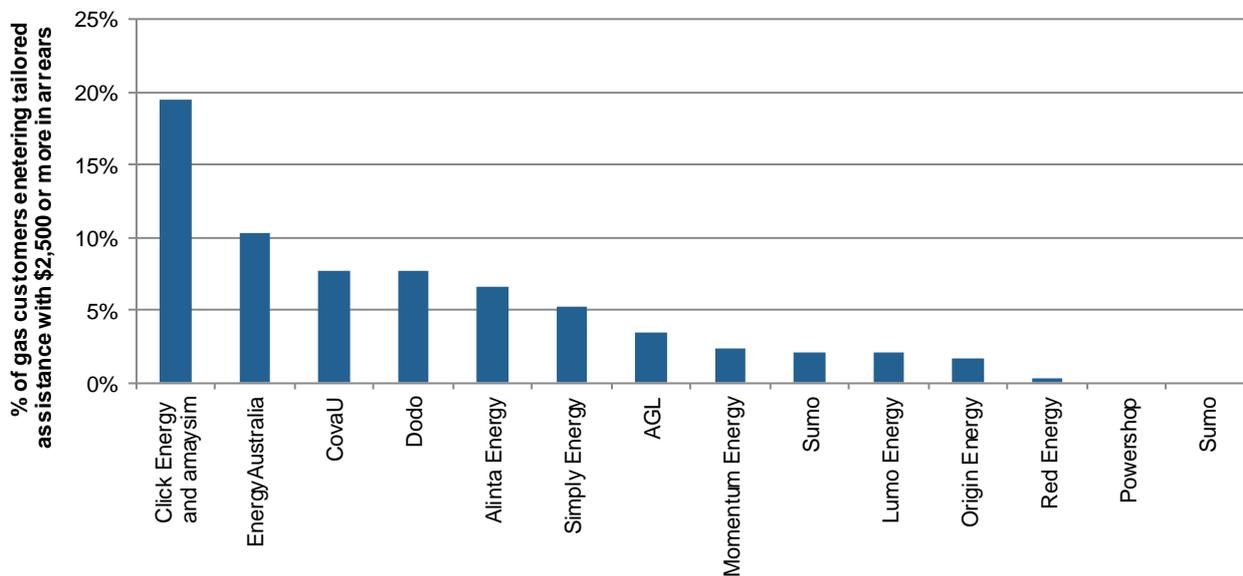


Figure includes only retailers with at least 20 entrants across the 2018–19 year. Entries from 1 January 2019 does not include entries into standard assistance



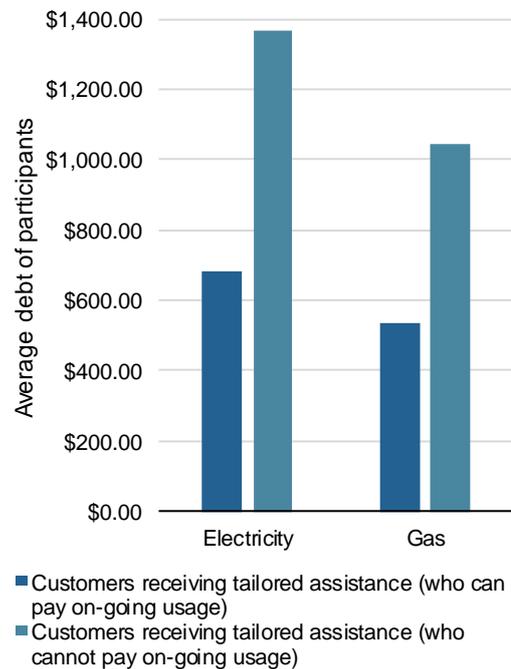
The average arrears of participants receiving tailored assistance over January to June 2019 was \$969 for electricity and \$752 for gas.

Under the previous hardship programs, customers had on average \$1,463 in debt.

Customers receiving tailored assistance for electricity generally had higher levels of arrears than those of gas customers receiving the same form of assistance.

We note that a significant proportion of the reduction in average debt per participant may be due to the large increase in participants entering tailored assistance with lower levels of debt.

Figure 5.9 Average debt of tailored assistance participants in Victoria



Consumer views on assistance provided by retailers for paying bills

Consumer advocates told us the level of assistance provided by a retailer often varied based on the size of the retailer. Other variables included the competence of individual customer service staff and whether an advocate was working with the customer. About half of the consumer advocates interviewed told us the quality of assistance had improved since the introduction of the Payment Difficulty Framework.

'I'd say in the past 6 months, I've seen an improvement... [previously] it just felt like the customer or myself against the utility providers... But they're actually offering now better service options, 'We can do this, What about that?' Whereas before there wasn't that friendliness about it at all...' - Consumer advocate

'I've been very surprised—actually disappointed—about some of the provider' responses to clients who are having difficulty paying. I thought... that [following the changes] the utility providers were supposed to be considerate and fair, consider their situation, and provide further options for a person to meet their obligations.' - Consumer advocate

'And I guess that's come more recently with the new changes. So... as long as the customer is engaging and paying something towards the debt, then obviously they're less likely to be



Exits from hardship programs were unchanged from 2017–18 until the new framework

From July to December 2018, the proportion of customers leaving hardship programs due to not complying with the requirements of the programs stayed the same as 2017–18. 61 per cent of customers exit hardship programs due to not complying with the requirements of the program or their payment arrangement (see figure 5.10).

AGL and Momentum Energy had the highest proportion of customers leaving their hardship program due to not complying at 82 per cent of all exits. While Alinta Energy had the highest rate of customers exiting their hardship programs due to successfully completing their program at 81 per cent.

Figure 5.10 Breakdown of exits from hardship programs in Victoria

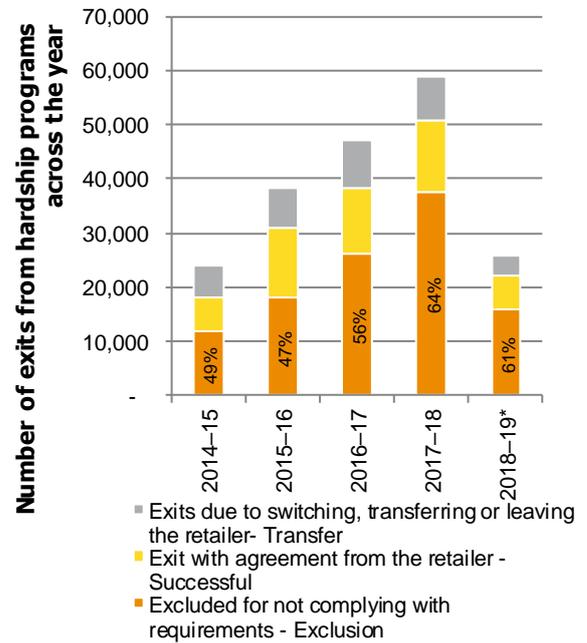


Table 5.1 Breakdown of exits from hardship programs in Victoria

Exit from hardship program	2014–15	2015–16	2016–17	2017–18	July to December 2018
Exits due to exclusion	11,819	17,971	26,323	37,616	15,794
Exits due to agreement	6,315	13,043	12,059	13,164	6,358
Exits due to switching retailer	5,805	7,146	8,779	8,045	3,727
Total exits	23,939	38,160	47,161	58,825	25,879



One-in-two tailored assistance customers are exiting assistance due to not complying with requirements

Customers receiving tailored assistance seemed to be having mixed results in the first six months under the payment difficulty framework. Nearly, one in two customers who received tailored assistance exited due to not complying with the requirements of their tailored assistance (see figure 5.11). This could include failing to make payment or keep in contact with their retailer.

The proportion of participants exiting assistance for non-compliance reduced to 46-47 per cent of all exits (see figure 5.11). This might suggest that customers are getting involved with tailored assistance earlier on but continue to find it difficult to comply with the requirements or the assistance provided may not be effective in helping participants manage their energy debt.

EnergyAustralia had nearly eight in 10 tailored assistance participants exiting their tailored assistance programs due to exclusion (see figure 5.12 and 5.13). In contrast, 1st Energy and Alinta Energy had no of exits due to exclusion for not complying with requirements.

Figure 5.11 Breakdown of exits from tailored assistance programs

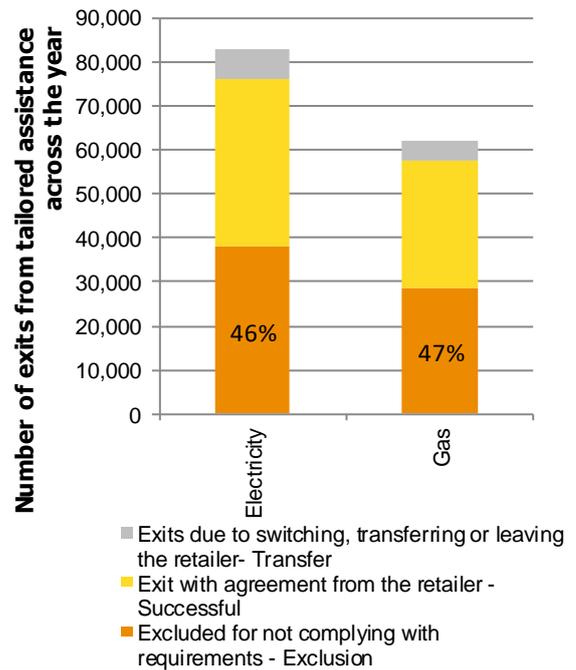




Figure 5.12 Percentage of electricity tailored assistance customers excluded from retailer tailored assistance

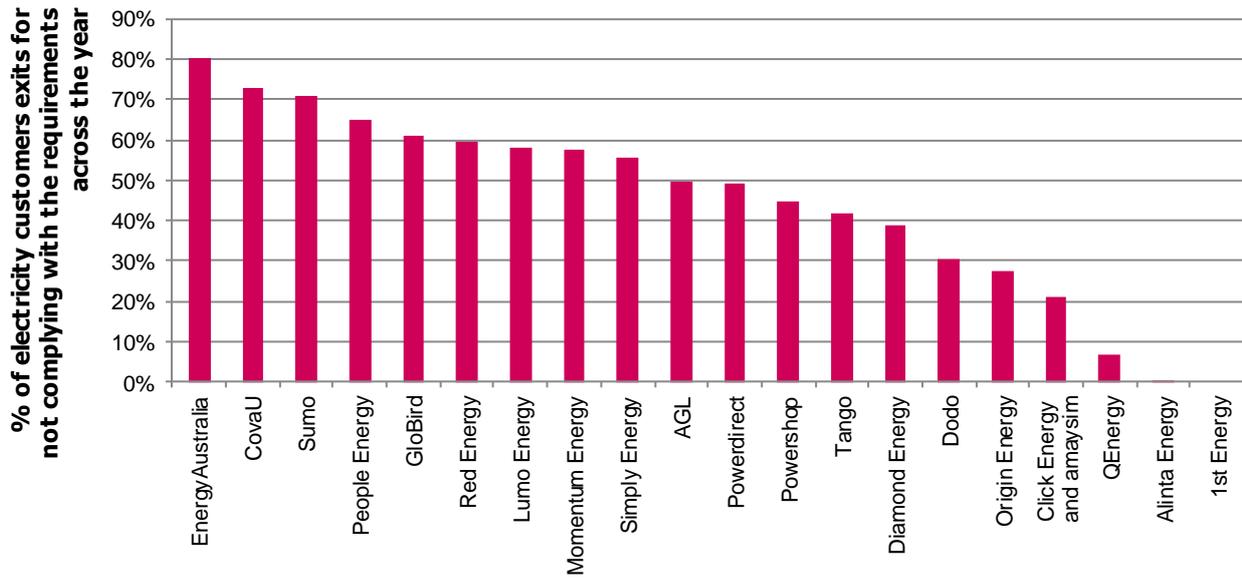


Figure includes only retailers with at least 20 exits across the 2018–19 year. QEnergy (7 per cent) were excluded. Does not include exits from standard assistance.

Figure 5.13 Percentage of gas tailored assistance customers being excluded from retailer tailored assistance

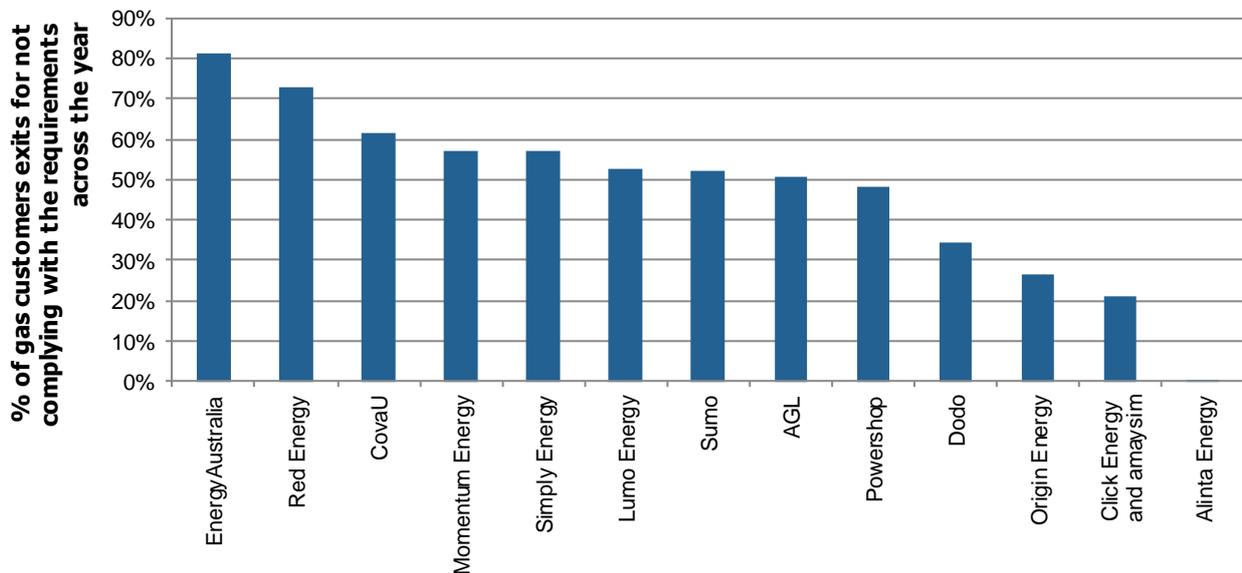


Figure includes only retailers with at least 20 exits across the year. GloBird (33 per cent), and TasGas (0 per cent) were excluded. Does not include exits from standard assistance.



Retailer support for customers in debt

Consumer advocates told us that while some retailers have been doing a better job of supporting customers in debt, others haven't been as supportive, indicating there's still a long way to go towards consistency across retailers. It was noted that customers feel empowered when retailers provide support in managing their debts. Consumer advocates also reported that some energy retailers were still directing customers to financial counsellors before they would provide support.

'I did get one really good outcome... [The energy retailer] was amazing. It was a very vulnerable client... They initially were pushing back. But, in the end, they really came through with the goods and they gave this particular client a specific case worker so that every time she rang up she would be put through to that same case worker... And they also offered to go into her home and to do an energy audit. And they waived the debt. But they also wanted to assist her with her account moving forward, and I think that's the best outcome you could get.' - Customer advocate

We also spoke directly to customers who reported a mixture of experiences, with some receiving assistance immediately, and others finding the process much harder.

'I think they're easier [to communicate with]... They send you emails—your prices have gone up a little bit... and then if you ring, somebody does answer you straight away. They don't put me on hold' – Consumer

"It was good. The person I did talk to they were actually really good. They were trying to figure out a way of paying my bill which was affordable for me...I said the best I can do is \$60 a fortnight and they said they would go and talk to one of the managers from the electricity company and they said it was fine as long as I keep up to date with my fortnightly payments." - Consumer



Concessions and utility relief grants

Under the Victorian Government's Utility Relief Grant Scheme, customers such as those with a health or concession card, could receive up to \$650 to help pay for part of their electricity or gas bill in 2018-19.

In 2018-19, Utility Relief Grants totalled \$16,836,291. This is an increase of 12 per cent from the previous year.

29,108 applications for Utility Relief Grants were approved in 2018-19, which is a 11 per cent decrease on 2017-18. On 1 July 2018, the grant was increased from \$500 to \$650.

The average grant per customer increased slightly in 2017-18, to \$582 for electricity customers (25 per cent increase) and \$573 for gas customers (26 per cent increase).

**Table 5.2 Summary of Victorian hardship program indicators**

	2014–15	2015–16	2016–17	2017–18	2018–19*
Participants in hardship programs throughout a year					
Average participants throughout year	28,549	33,689	37,935	47,289	48,530
Participants on 30 June	29,626	31,528	32,664	39,453	49,792
Total exits throughout the year	23,939	38,160	47,161	58,825	25,879
Total exits from hardship programs throughout a year					
Participants who exited by successfully completing a hardship program	6,315	13,043	12,059	13,164	6,358
Participants excluded from the program for not meeting the requirements of the program	11,819	17,971	26,323	37,616	15,794
Participants who transferred retailer, which means they exited their hardship program	5,805	7,146	8,779	8,045	3,727
Average debt levels per customer					
Average debt of participants across year	1,228	1,235	1,564	1,443	1,463
Average debt of new entrants across year	944	915	1,241	1,385	1,378
Disconnections and reconnections					
Disconnections of previous participants	2,912	3,350	6,432	7,551	3,062
Reconnections of previous participants	1,678	1,909	3,359	4,800	1,984
Other indicators					
Concession card holders	19,845	22,925	23,031	27,411	27,876
Customers denied access into programs	506	511	2,119	861	233

Table 5.3 Summary of Victorian tailored assistance indicators

	Electricity	Gas
Participants in tailored assistance		
Participants on 30 June - covering ongoing use	31,691	21,073
Participants on 30 June - not covering ongoing use	22,567	15,974
Participants on 30 June - total receiving tailored assistance	54,258	37,047
Average arrears levels per customer		
Average debt of tailored assistance customer across the year (covering ongoing use)	682	529
Average debt of tailored assistance customer across the year (not covering ongoing use)	1,363	1,039
Other indicators		
Customers who previously received standard assistance now receiving tailored assistance	5,534	3,692
Concession card holders receiving tailored assistance	24,137	17,235
Customers receiving practical assistance	23,444	16,717

How many customers were disconnected?

If you don't work with your retailer to repay an unpaid amount of your bill, you could risk being disconnected. However, if you are receiving assistance from your retailer to help pay off your energy bills, you cannot be disconnected.

Disconnection of energy customers are at the lowest levels in eight years

In 2018–19, there were a total of 36,729 residential customers disconnected for not paying their energy bills. This is 34 per cent lower than 2017–18 and was the lowest total number of disconnections since 2010–11.

While 4,764 small business customers were also disconnected for non-payment, which was nine per cent lower than 2017–18.

Figure 5.14 Residential disconnections for non-payment of energy bills in Victoria

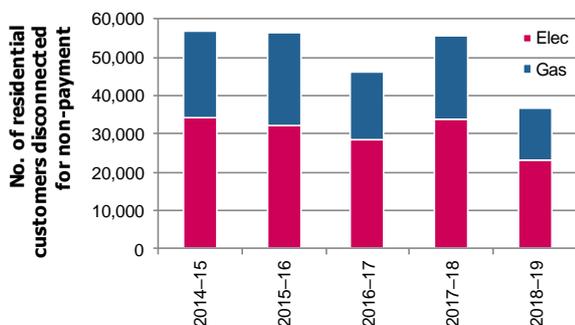
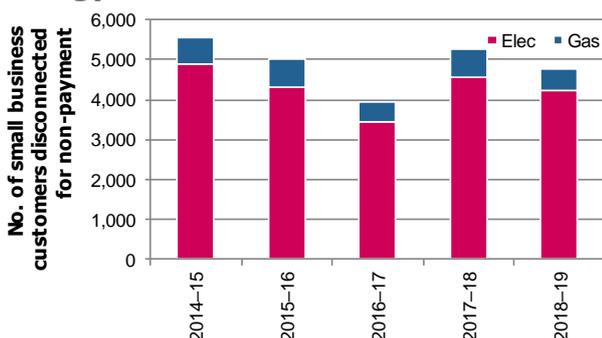


Figure 5.15 Small business disconnections for non-payment of energy bills in Victorian



Customers experiencing threats of disconnection

Consumer advocates noted that disconnections seemed to have decreased since the Payment Difficulty Framework was implemented. However, advocates believed that even when disconnections weren't happening, disconnection warning notices were still being sent to customers on payment plans or experiencing payment difficulty, compounding stress for those customers. Some customers also reported that they had been threatened with disconnection.

'Definitely, definitely [customers] are [threatened with disconnection]. Though they get warning and they get a disconnection letter, or through emails they'll get that. But... we're not getting as many as we were.' - Customer advocate

'I used to see quite a lot [of disconnection notices] prior to the 1st of July, but in all honesty, I haven't seen any since then, it's not something that's encouraged. Definitely improved with that because they know damn well that you know a client can just go to EWOV...' - Customer advocate

'[I was threatened with disconnection] only when I couldn't pay... Because before I didn't realise you could get assistance and I was thinking 'How am I going to pay this bill?' And then a letter came in the post saying you haven't paid your bill. If you're not paid in such and such a time then we'll cut off your electricity...' - Consumer



Residential electricity disconnections

The number of electricity disconnections in 2018–19 was the lowest since 2011–12.

There was an average of 0.9 disconnections per 100 residential electricity customers for not paying their bills – compared to 1.3 in 2017–18 (as shown in table 5.4).

In 2018–19, five retailers had a higher electricity disconnection rate than the Victorian average.

Momentum Energy had the highest disconnection rate at 2.3 disconnections per 100 electricity customers. Tango Energy had lowest rates at 0.01 per 100 electricity customers (see figure 5.16).

Momentum Energy had the greatest annual increase in disconnections per 100 electricity customers or non-payment. Dodo were the only other retailer to have an annual increase in electricity disconnections per 100 customers.

Most other retailers had a reduction of around 30-40 per in electricity disconnections for non-payment.

Residential gas disconnections

The number of gas disconnections in 2018–19 was the lowest since 2009–10.

There was an average of 0.7 disconnections per 100 residential gas customers for not paying their bills – compared to 1.1 in 2017–18 (as shown in table 5.4).

In 2018–19, five retailers had higher gas disconnection rates than the Victorian average. Alinta Energy had the highest gas disconnection rate, at 2.0 disconnections per 100 residential customers.

Powershop had the lowest rates at 0.01 disconnections per 100 residential customers (see figure 5.17).

Momentum Energy had the greatest annual increase in disconnections per 100 gas customers or non-payment. While EnergyAustralia, Lumo Energy and Alinta Energy had large reductions in disconnections for non-payment per 100 gas customers.

Table 5.4 Summary of disconnections for non-payment in Victoria

	Total disconnections for non-payment					Disconnections per 100 customers				
	2014–15	2015–16	2016–17 ¹⁰	2017–18	2018–19	2014–15	2015–16	2016–17 ¹¹	2017–18	2018–19
Electricity										
Residential	34,418	32,360	28,589	33,824	23,077	1.45	1.34	1.16	1.34	0.89
Small business	4,906	4,319	3,434	4,548	4,233	1.91	1.58	1.23	1.63	1.53
Gas										
Residential	22,322	24,150	17,494	21,650	13,652	1.2	1.28	0.91	1.11	0.69
Small business	647	700	518	710	531	1.14	1.14	0.79	1.08	0.44

¹⁰ Note: due to system problems, Origin Energy were unable to disconnect customers during most of 2016–17.

¹¹ Note: due to system problems, Origin Energy were unable to disconnect customers during most of 2016–17.



Figure 5.16 Electricity disconnections for non-payment per 100 electricity residential customers

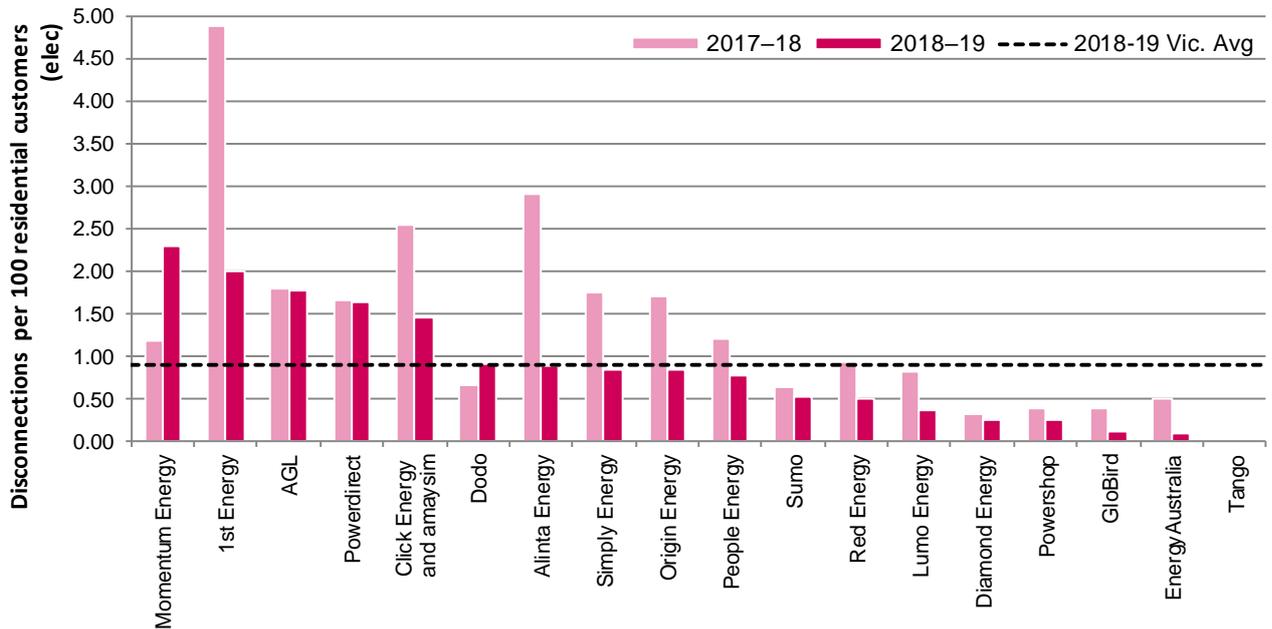


Figure includes only retailers with at least 1,000 residential electricity customers CovaU (2.95), Blue NRG (0.0), QEnergy (0.44) and Next Business Energy (0.0) were excluded.

Figure 5.17 Gas disconnections for non-payment per 100 gas residential customers

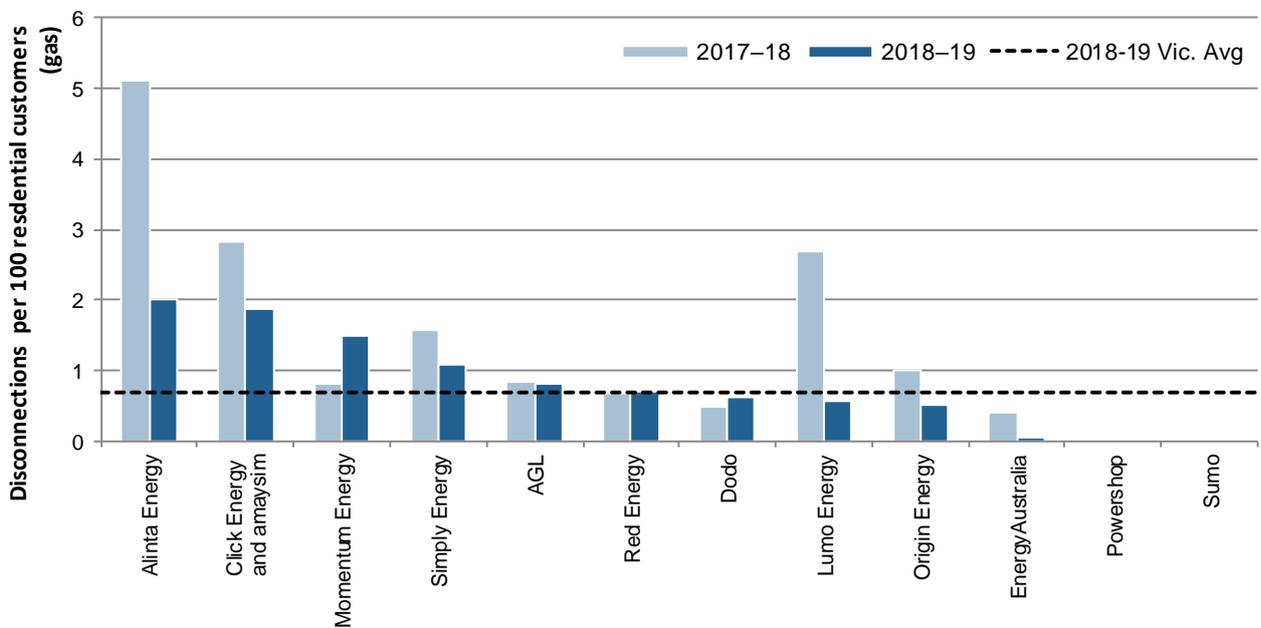


Figure includes only retailers with at least 1,000 residential electricity customers CovaU (4.01) were excluded.



The majority of customers are disconnected without receiving any recent assistance

Since 1 January 2019 we have been collecting further information about customers who are disconnected for non-payment.

Most customers who are disconnected for non-payment owe between \$500 and \$1,500 to their retailers. This is consistent for both electricity and gas.

More than 50 per cent of customers who are disconnected for non-payment have not received assistance within the last six months. On face value, this appears to contradict the energy rules which requires all customers who owe more than \$55 to be offered tailored assistance before they can be disconnected.

Figure 5.18 Proportion of customer disconnected for non-payment no receiving assistance

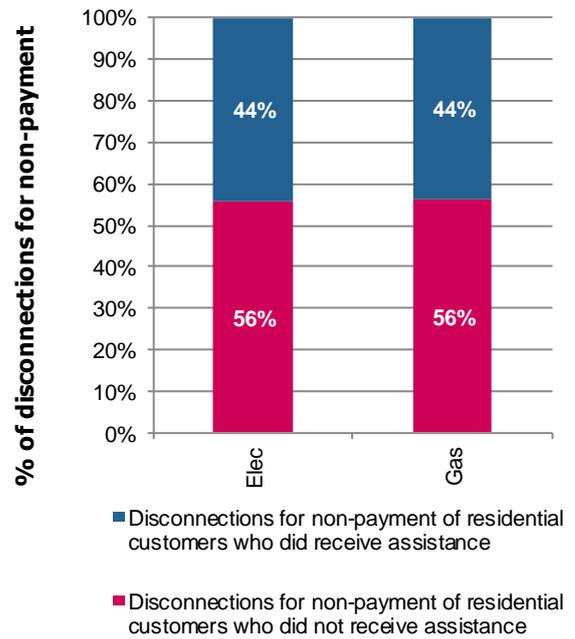
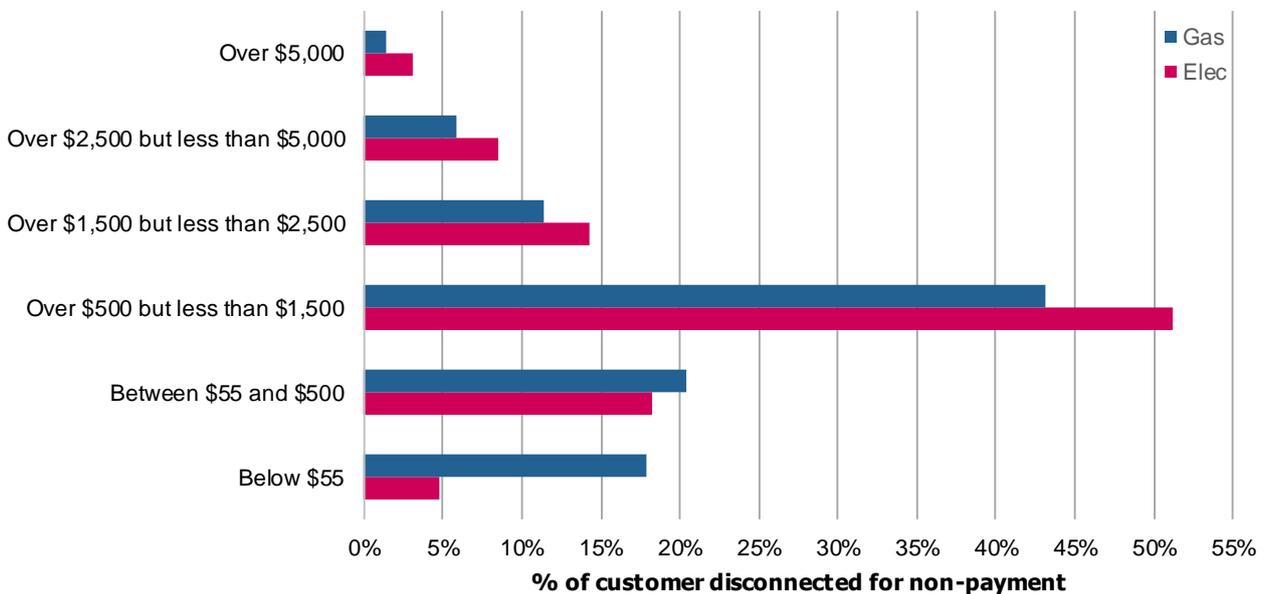


Figure 5.19 arrears of customers who are disconnected for non-payment





Complying with the energy rules

An explanation of how well Victorian energy retailers and distribution businesses have performed against the energy rules



Are energy businesses following the energy rules?

Licensed energy retailers, distributors, transmitters and generators that operate in Victoria must abide by the Victorian energy rules. We regulate the energy market by promoting and enforcing compliance with these energy rules.

When we identify poor performance or potential breaches of the energy rules, we act to protect customers and deter future non-compliance.

Auditing energy businesses

We conduct regular audits to see whether retailers and distributors are complying with the energy rules.

In August 2019, we released our new audit program for 2019–20 which will target all five Victorian electricity distributors and nine retailers who sell electricity and gas to 91 per cent of residential and small business customers. More information about the audit topics are available on our website.

We kicked off the program by auditing electricity distributors who are responsible for the reliability and performance of smart meters. We believe the audits will help us to understand:

- Whether the roll out of smart meters have reduced the number of estimated electricity bills received by customers.
- Whether distributors have been making smart meter data available to customers.



Our compliance and enforcement powers

Enforcement: We enforce compliance with the energy rules by energy businesses and can issue penalty notices where we find a problem. Penalty notices include:

- an energy industry penalty notice of up to \$20,000 per notice
- a wrongful disconnection penalty notice of \$5,000 per notice.

We can also issue enforcement orders or accept enforceable undertakings from the energy businesses to take action to address the identified issue. If an energy business fails to comply with a penalty notice, enforcement order or enforceable undertaking, we can apply to the Supreme Court to take further action.

Licensing: We grant licences to energy businesses. They cannot operate in the market without this licence. We can vary a licence on request of the licensee, or if a business has not complied with the rules. We can revoke a licence or appoint an administrator. Unlicensed energy businesses, such as embedded networks, are currently exempt from compliance with certain rules.

Compliance: We take a range of actions to ensure energy businesses comply with the energy rules. We conduct regular audits and investigate potential breaches in line with our compliance priorities. We make determinations and accept remediation plans from energy businesses and we also play a role in educating energy businesses on how to comply with our rules.



Enforcing compliance in 2018–19

Distributors paid \$350,000 in penalties for failing to notify customers of planned outages

In May 2019, we completed five enforcement actions against energy distributors for allegedly failing to notify customers of planned outages.

- AusNet Services paid 15 penalty notices, totalling \$150,000, after we found they left a mix of residential and business customers in Bass, Woolamai and Glen Forbes without electricity for three hours on 18 July 2018.
- United Energy paid nine penalty notices, totalling \$90,000, for leaving customers in Springvale South without electricity for more than six hours on 1 August 2018.
- Jemena paid five penalty notices, totalling \$50,000, after we found it did not give customers in Greenvale four business days' notice about a planned outage which lasted 34 minutes on 22 October 2018.
- CitiPower paid three penalty notices, totalling \$30,000, for failing to provide four business days' notice to customers of a planned interruption in East Melbourne that lasted for one hour and one minute on 22 October 2018.
- Powercor paid three penalty notices, totalling \$30,000, for failing to provide four business days' notice to customers of a planned interruption in Iraak in Victoria's north west that lasted for 2 hours and 28 minutes on 15 October 2018.

The penalties demonstrate the importance of giving customers enough notice of an electricity outage, as customers who are not notified of a planned interruption do not have the chance to prepare for the loss of power.

1st Energy fined \$20,000 for switching a small business customer without consent

In May 2019 1st Energy paid a \$20,000 penalty for switching a small business customer without consent after getting their address mixed up with

a nearby aged care home resident. A telemarketer cold-called the resident and talked her into signing up for a new electricity deal. The resident was not a representative of the business that 1st Energy subsequently switched.

Simply Energy fined \$20,000 for transferring a customer with an acquired brain injury

In November 2018, Simply Energy paid a \$20,000 penalty after a telemarketer allegedly arranged to switch a customer with an acquired brain injury to the company without his consent. We issued a penalty notice after finding sales agents ignored requests to 'call back later', even after the man showed signs of being confused.

Customers have the right to choose their retailer and must give their consent to any changes made to their energy supply or contract. Customers must be given all relevant information before they are asked to consent to a new contract or before they transfer to another retailer. Under the energy rules, energy businesses must ensure that customers receive their contract information in plain language. Consent to any transaction must also be given in writing, or verbally by a capable person.

Momentum Energy to compensate disconnected customers over half a million dollars

More than 800 Momentum Energy customers will be entitled to compensation after we found that Momentum Energy failed to inform customers they could be disconnected remotely. Momentum Energy switched off the power of almost 850 customers between January and June 2018.

Warning notices provided to customers did not comply with the requirements of the Energy Retail Code as they did not let smart meter customers know that they could be disconnected without someone having to visit the property.



Around 250 of the affected customers were without power for more than a day, while 98 customers were disconnected for a number of days. A further 34 customers were disconnected for more than two weeks.

Momentum Energy has agreed to a court enforceable undertaking, where they are required to make compensation payments to affected customers. It is also required to track and report to the commission its progress in attempting to reach current and former customers. It has also amended the warning notice to ensure it complies with the requirements of the code.

Enforceable undertakings are legally binding commitments given to us (and accepted by us) from energy businesses. If we think an energy business has not complied with the terms of an enforceable undertaking the commission can choose to take enforcement action in a court. These are an enforcement option available to the commission where there may have been a contravention of the energy rules.

Wrongful disconnections

The Victorian energy rules sets out provisions about when a customer can be disconnected from their energy supply. When a retailer does not follow these provisions and wrongfully disconnects a customer, they must report the breach to us. In most cases the retailer is also required to make a payment to the customer to compensate them for being wrongfully disconnected.

In 2018–19, retailers reported that they had wrongfully disconnected 484 customers, down from the 502 customers wrongfully disconnected in 2017–18. In total, retailers paid \$797,176 to affected customers, 25 per cent higher than the same period in 2017–18. A breakdown of these payments is shown in table 6.1.

Wrongful disconnection disputes referred to the commission

In some cases where the customer and retailer cannot resolve a disconnection dispute, it is referred to Energy and Water Ombudsman (Victoria). If the ombudsman and retailer are unable to agree on whether a disconnection was wrongful, the matter may be referred to us for a decision.

We were referred 32 disconnection disputes in 2018–19, a significant increase from eight disputes referred to us in 2017–18. The commission resolved 19 disconnection disputes this year, while 13 disputes referred were withdrawn and conceded by the retailer:

- AGL was required to make total payments of \$260,623 to 12 customers. Four of these disconnections were decided wrongful, totalling \$69,074. The remaining eight disconnections, totalling \$191,549, were withdrawn and conceded by AGL. Of these customers, one received \$92,513 for having their electricity supply wrongfully disconnected for 185 days.
- Alinta was required to make a payment of \$2,599 to one customer after withdrawing and conceding this disconnection.
- Lumo Energy was required to make total payments of \$1,007 to two customers after the commission decided these disconnections as wrongful.
- Origin Energy was required to make total payments of \$5,745, to three customers after withdrawing and conceding these disconnections.
- Red Energy was required to make total payments of \$8,296, to two customers after the commission decided these disconnections as wrongful.
- Simply Energy was required to make a payment of \$615 to one customer after the commission decided this disconnection was wrongful and were required to pay \$505 to another customer after withdrawing and conceding this disconnection



- Momentum Energy was found to have wrongfully disconnected one customer and was required to pay \$117 to the customer.

Seven of the disconnection disputes referred to us were found not to have involved a wrongful disconnection, including four cases involving Lumo Energy, two with Red Energy and one case each with Origin Energy and Powershop.

Table 6.1 Reported wrongful disconnection payments in 2018–19

Retailer	Total amount paid during the quarter				Total customers affected			
	Jul – Sep 2018	Oct – Dec 2018	Jan – Mar 2019	Apr – Jun 2019	Jul – Sep 2018	Oct – Dec 2018	Jan – Mar 2019	Apr – Jun 2019
AGL	\$59,482	\$85,756	\$133,028	\$19,384	32	45	29	11
Energy Australia	\$16,985	\$90,035	\$2,272	\$17,925	24	17	7	14
Origin Energy	\$2,220	\$22,144	\$10,117	\$0	8	19	10	0
Lumo Energy	\$14,599	\$17,044	\$37,762	\$12,490	7	6	10	4
Red Energy	\$1,188	\$4,061	\$15,265	\$7,019	8	5	10	10
Simply Energy	\$9,111	\$26,446	\$6,753	\$2,940	6	14	5	4
Alinta Energy	\$29,622	\$24,237	\$2,717	\$8,841	17	14	3	2
Click Energy	\$2,316	\$10,699	\$10,649	\$516	3	6	4	1
Dodo & Commander (M2 Energy)	\$0	\$0	\$0	\$3,346	0	0	0	2
Momentum	\$20,434	\$637	\$10,755	\$15,067	49	2	7	13
Powerdirect	\$9,664	\$0	\$3,500	\$0	1	0	1	0
Powershop Australia	\$1,234	\$4,634	\$573	\$1,621	6	4	6	3
1st Energy	\$2,168	\$1,024	\$1,530	\$0	1	1	2	0
Blue NRG	\$0	\$0	\$11,043	\$0	0	0	7	0
CovaU	\$488	\$0	\$763	\$0	1	0	2	0
Tango (Pacific Hydro)	\$0	\$132	\$2,438	\$247	0	1	4	1
QEnergy	\$205	\$0	\$0	\$0	1	0	0	0
Sumo Power	\$0	\$613	\$1,289	\$156	0	1	12	1
TOTAL	\$169,713	\$287,461	\$250,451	\$89,551	164	135	119	66

Figures may not add up precisely due to rounding. Excludes wrongful disconnections disputes that were referred to us.

**Table 6.2 Wrongful disconnection payment cases referred to the commission in 2018–19**

Retailer	Outcome	Referrals	Total compensation
AGL	Disconnection wrongful	4	\$69,074
	Disconnection wrongful (withdrawn and conceded by retailer)	8	\$191,549
Alinta Energy	Disconnection wrongful (withdrawn and conceded by retailer)	1	\$2,599
Lumo Energy	Disconnection wrongful	2	\$1,007
	Disconnection not wrongful	4	-
Momentum	Disconnection wrongful	1	\$117
Origin Energy	Disconnection wrongful (withdrawn and conceded by retailer)	3	\$5,745
	Disconnection not wrongful	1	-
Powershop	Disconnection not wrongful	1	-
Red Energy	Disconnection wrongful	2	\$8,296
	Disconnection not wrongful	2	-
Simply Energy	Disconnection wrongful	1	\$615
	Disconnection wrongful (withdrawn and conceded by retailer)	1	\$505
	Disconnection not wrongful	1	-

Figure are based on wrongful disconnection payment cases referred by the Energy and Water Ombudsman (Victoria)



Changes anticipated in 2020

The coming year will transform the commission’s approach to enforcement in the energy industry. In accordance with the Energy Fairness Plan the commission’s enforcement and information gathering powers will be expanded.

Commissioner Bhojani has joined the commission with a strong background in regulatory compliance and enforcement and has put energy business on notice.

The Victorian government’s Energy Fairness Plan includes providing the commission with “clearer investigatory powers, including the power to order witnesses verbally answer questions from the regulator”.

We will have a dedicated and enhanced enforcement team focused on taking enforcement action against those retailers who continue to breach the conditions of their energy licenses. The commission will also expand its legal capacity to pursue serious breaches in courts.