ESSENTIAL SERVICES COMMISSION

Victorian Default Offer 2026–27

Final Decision Paper

20 May 2026

Acknowledgement

We acknowledge the Traditional Owners of the lands and waterways on which we work and live.

We acknowledge all Aboriginal and Torres Strait Islander communities, and pay our respects to Elders past and present.

As the First Peoples of this land, belonging to the world's oldest living cultures, we recognise and value their knowledge, and ongoing role in shaping and enriching the story of Victoria.

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Contents

We considered all submissions received **1**
2026–27 Victorian Default Offer: summary **2**
A safeguard for customers 3
Provides a comparison price 4
Calculation is based on efficient retailer costs 4
Average annual bills for Victorian Default Offer customers will be lower in 2026–27 6
Drivers of the 2026–27 Victorian Default Offer price changes 10
Maintaining a consistent approach 12
Updated cost inputs 13
Upholding other protections for customers 13
Victorian Default Offer cost components **15**
Network costs 16
Wholesale electricity costs 23
Environmental costs 32
Retail operating costs 37
Modest customer acquisition and retention costs 43
Other costs 47
Network loss factor 53
Retail operating margin 54
Calculating tariffs and the maximum annual bill **63**
Flat tariffs 64
Three-period time of use tariffs for domestic customers 64
Two-period time of use tariffs for small business customers 66
Compliant maximum annual bill 66
Appendix A: Calculating the cost stack **69**
Wholesale electricity costs 69
Network loss adjustment factor 70
Network tariffs (flat tariff) 71
Network tariffs (two and three-period time of use) 72
Network metering charges 73
Environmental costs 73
Retail operating costs and margin 74
Other costs 75
Appendix B: Network tariffs in the cost stack **76**
Appendix C: Submissions on Draft Decision Paper **78**
Appendix D: Changes to cost component methodology **79**
Reference usage proportion for time of use tariff 82
Appendix E: Order in Council **84**
Appendix F: Our legislative considerations **85**
Prices are determined in May each year 85

The commission's power to determine the Victorian Default Offer 85
Our objectives in setting the Victorian Default Offer 86
Other matters the commission must have regard to when determining tariffs 86
Appendix G: Assessment of how the Victorian Default Offer price determination has regard to relevant legislative considerations 88
Our approach to this review 88
Objectives of the commission and the Victorian Default Offer 89

We considered all submissions received

We released our 2026–27 Victorian Default Offer draft decision on 12 March 2026, followed by a four-week consultation period. During this time, we hosted a public forum attended by community and industry groups, and electricity retailers.

We received 12 submissions in response to our draft decision from a range of interested parties. This included electricity retailers and their peak body as well as consumers and community groups. The views expressed in submissions have been considered by the commission in reaching our final decision.

A list of the interested parties who made a submission are outlined in Appendix C and copies of all submissions can be found on our website.

Table 1: Milestones for the 2026–27 Victorian Default Offer review

Key milestone	Date
Request for Comment Paper released	14 November 2025
Consultation period on the Request for Comment Paper	14 November – 12 December 2025
Draft decision released	12 March 2026
Consultation period on the draft decision	12 March – 10 April 2025
Public forum on the draft decision	23 March 2026
Final decision and determination	20 May 2026
Prices take effect	1 July 2026

2026–27 Victorian Default Offer: summary

This document sets out our final decision for the 2026–27 Victorian Default Offer.

- Our final decision results in lower average bills for Victorian Default Offer customers in 2026–27 compared to 2025–26.
- For domestic customers on a flat tariff, the Victorian Default Offer will be $84 (or five per cent) lower than in 2025–26 (based on an average of the five distribution zones and assuming annual usage of 4,000 kilowatt hours).
- The decrease in annual bills for domestic Victorian Default Offer customers range from $160 in the AusNet area, to $50 in the United Energy area (based on annual usage of 4,000 kilowatt hours).
- Our final decision uses the same the approach as our draft decision, with no changes to the calculation method. It reflects updated data, including wholesale electricity contract prices, environmental certificate prices and network tariffs approved by the Australian Energy Regulator.
- For small business customers on a flat tariff, the Victorian Default Offer will be $241 (or six per cent) lower than in 2025–26 (based on an average of the five distribution zones and based on annual usage of 10,000 kilowatt hours).
- The decreases in annual bills for small business Victorian Default Offer customers range from $502 in the AusNet area, to $151 in the Powercor area (based on annual usage of 10,000 kilowatt hours).
- Decreases in 2026–27 Victorian Default Offer prices compared to 2025–26 is driven by lower environmental, network and wholesale electricity costs.
- Our final decision results in lower average bills for Victorian Default Offer customers than estimated in our draft decision. This is due to lower environmental and network costs between our draft and final decision.
- The wholesale electricity cost component is slightly lower in the 2026–27 Victorian Default Offer for average domestic customers compared to our draft decision. Global fuel supply disruptions have had mixed but generally mild impacts on electricity future contract prices. Since March 2026, contract prices have increased slightly in some future quarters. However, these increases have been offset by decreases in Q1 2027.

- Overall, most other Victorian Default Offer cost components are stable compared to 2025–26. Retail operating costs have increased slightly due to increases in inflation.

A safeguard for customers

The Victorian Default Offer sets the maximum prices a retailer can charge for electricity sold to domestic and small business customers in Victoria, who are on a standing offer.[1] The objective of the Victorian Default Offer is to provide a simple, trusted and reasonably priced electricity option that safeguards consumers unable or unwilling to engage in the electricity retail market.[2]

Standing offer customers

Standing offers are contracts that electricity retailers must make available to domestic and small business customers. A standing offer will apply if the customer has:

- never signed up for an electricity contract
- entered into an electricity contract, cancelled the contract within the cooling-off period, but continues to use electricity without entering into a new contract
- moved into a new address and uses electricity without entering into a contract
- specifically asked for a standing offer
- moved onto a standing offer after their market offer contract came to an end.

Most customers are not on standing offers and not directly affected by this decision. In Victoria, around 512,000 (or 17 per cent of) households and 62,000 (or 21 per cent of) small businesses are on standing offers.[3]

Embedded network customers

The Victorian Default Offer also applies as a maximum price for most embedded network customers (covering around 182,000 customers).[4] Electricity providers in embedded networks may

[1] A standing offer is defined in section 3 of the *Electricity Industry Act 2000*; The commission may determine the maximum tariffs under clause 10(1)(a) of the pricing order; A 'domestic customer' for purposes of the Victorian Default Offer is a customer who purchases electricity principally for personal, household or domestic use (see clause 4 of the pricing order); A 'small business customer' for purposes of the Victorian Default Offer is a customer who is not a domestic customer and whose aggregate consumption of electricity is not more than 40 MWh per annum (see clause 4 of the pricing order).

[2] Clause 3 of the pricing order.

[3] Figures reflect contract type recorded through National Meter Identifier, as of March 2026, data may be amended or updated. Increases in customers on electricity standing offers and subsequently have their price set through the Victorian Default Offer, has been observed over 2025 and 2026. This increase is due to retailers recently assigning customers with an expired contract on to a standing offer.

[4] Figure is as of March 2026.

set prices below the Victorian Default Offer. Embedded network providers supply electricity for many domestic and small business customers in apartment buildings, caravan parks, retirement villages or office spaces.

Provides a comparison price

Most Victorians are on market offers, not standing offers. Most market offers are available at prices below the Victorian Default Offer.

The Victorian Default Offer is also a reference price for these market offers. This enables customers to easily compare market offer prices with our benchmark prices and choose a plan that best suits their needs.

Retailers must compare their market offer prices to the Victorian Default Offer when advertising. In response to our draft decision, Origin Energy queried which reference price to use when advertising non-standard retail products (including demand-based tariffs), as this is critical for compliance with best offer and price comparison obligations.[5]

We acknowledge there may be some challenges in applying the provisions in the pricing order and the Energy Retail Code of Practice, which require retailers to apply Schedule 3 of the pricing order or a methodology determined by the commission, when calculating reference prices and percentage discounts when presenting market offers.

We note the increasing prevalence of non-standard products of the type identified by Origin Energy, as well as new Midday Power Saver and 'free period' offers. We will reconsider these issues in upcoming consultation with interested parties, with the aim of ensuring retailer obligations are clear and customers are appropriately informed when engaging in the market.

Calculation is based on efficient retailer costs

Under the pricing order, we must set the Victorian Default Offer each year, based on the efficient costs of the sale of electricity by a retailer, having regard to specific cost components:

- Network costs
- Wholesale electricity costs
- Environmental costs
- Retail operating costs including modest costs of customer acquisition and retention
- Other costs (such as licence fees)

[5] Submission to the Essential Services Commission, *2026–27 Victorian Default Offer: Draft Decision Paper,* April 2026: Origin Energy, p. 4.

- Network loss factor
- Retail operating margin.[6]

See the Victorian Default Offer cost components section of this decision for further details about the cost components.

We are guided by requirements of the pricing order when setting the Victorian Default Offer. This includes adopting an approach and methodology that best meets a range of objectives (detailed in Appendix F) including:

- providing a simple, trusted and reasonably priced electricity option that safeguards consumers who are unable or unwilling to engage in the electricity retail market[7]
- promoting the long-term interests of Victorian consumers[8]
- promoting the development of full retail competition[9]
- protecting consumers.[10]

Community sector organisations support the Victorian Default Offer's role as a safeguard for disengaged or vulnerable Victorians, especially in uncertain economic conditions.[11] AGL Energy noted that following changes to the Energy Retail Code of Practice, the Victorian Default Offer now extends to more Victorian customers. This change increases the importance of the default offer reflecting efficient prices.[12]

The number of Victorians on the default offer has increased recently. The Victorian Default Offer continues to provide an important safeguard for customers on standing offers, including customers who are less active in engaging with the market. Recent market reforms which will come into effect later in 2026 will further extend the reach of the default offer, including reforms to strengthen protections for customers on legacy contracts and improve access to cheaper offers through measures such as automatic best offer switching. Given this, we agree that our approach to setting the default offer has increasing significance and we continue to adopt methodologies that best

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[6] Clauses 10(1), 12(3) and 12(4) of the pricing order.

[7] Clause 3 of the pricing order.

[8] *Essential Services Commission Act 2001*, s 8(1).

[9] *Electricity Industry Act 2000, s 10(b).*

[10] *Electricity Industry Act 2000, s 10(c).*

[11] Submission to the Essential Services Commission, *2026–27 Victorian Default Offer: Draft Decision Paper,* April 2026: Joint community sector and consumer advocates Victorian Council of Social Service, Community Information and Support Victoria, Consumer Action Law Centre, Council on the Ageing Victoria and Seniors Rights Victoria, Energy Consumers Australia, Financial Counselling Victoria, Uniting Vic Tas, and Westjustice, p. 2.

[12] Submission to the Essential Services Commission, *2026–27 Victorian Default Offer: Draft Decision Paper,* April 2026: AGL Energy, p. 2.

meet the requirements of the pricing order and the matters we must have regard to under the *Essential Services Commission Act 2001* and the *Electricity Industry Act 2000*. This includes setting prices based on retailers' efficient costs, giving customers access to a reasonable electricity price.

Average annual bills for Victorian Default Offer customers will be lower in 2026–27

Average domestic annual bills

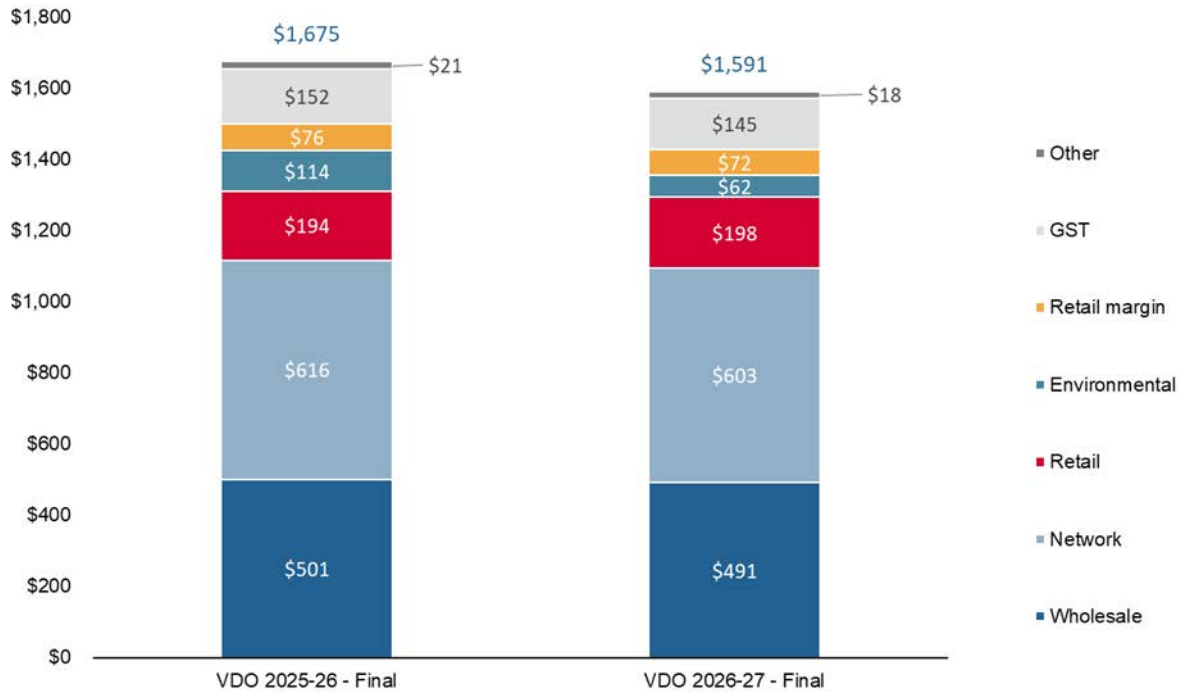
The average annual bill for a 2026–27 Victorian Default Offer domestic customer on a flat tariff will be $1,591. This is $84 (or five per cent) lower compared to our 2025–26 decision. This is the average of representative annual bills across the five electricity distribution zones in Victoria.[13]

All cost components relating to the sale of electricity in Victoria are stable or lower than 2025–26, except for retail operating costs which has increased due to increased inflation.

Environmental costs for the average domestic flat tariff Victorian Default Offer customer have reduced the most compared to 2025–26 (see Figure 1).

[13] The annual reference consumption amount is set in clause 15(5) of the pricing order. For domestic customers, the average consumption assumes 4,000 kilowatt hours per year, we call this 'representative' usage.

Figure 1: Average change in 2026–27 Victorian Default Offer annual bills for domestic customers (assuming flat rate and annual usage of 4,000 kWh) compared to 2025–26



Victorian electricity distribution zone comparisons – domestic

Figure 1 outlines the average bill for all domestic customers. However, representative annual bills will vary across Victoria's five distribution zones because of different network costs and wholesale electricity costs.

Victorian Default Offer domestic customers will see bill reductions ranging from $160 (around eight per cent) in the AusNet zone to $50 (around three per cent) in the United Energy zone.

Table 2 shows the movement in representative annual bills for domestic Victorian Default Offer customers across the five distribution zones and on average across the zones, as compared to 2025–26 (assuming 4,000 kilowatt hours annual usage).

Table 2: Change in average annual Victorian Default Offer bills for domestic customers on flat tariff (nominal assuming 4,000 kWh/year)[14]

	AusNet	CitiPower	Jemena	Powercor	United Energy	Victorian average
2025–26 (final decision)	$1,908	$1,546	$1,638	$1,703	$1,579	**$1,675**
2026–27 (final decision)	$1,748	$1,481	$1,563	$1,633	$1,529	**$1,591**
Change in $	-$160	-$65	-$75	-$70	-$50	**-$84**
Change in %	-8%	-4%	-5%	-4%	-3%	**-5%**

Average small business annual bills

The average annual bill for a 2026–27 Victorian Default Offer small business customer on a flat tariff will be $3,380. This is $241 (or six per cent) lower compared to our 2025–26 decision.[15] This is the average of representative annual bills across the five electricity distribution zones in Victoria.

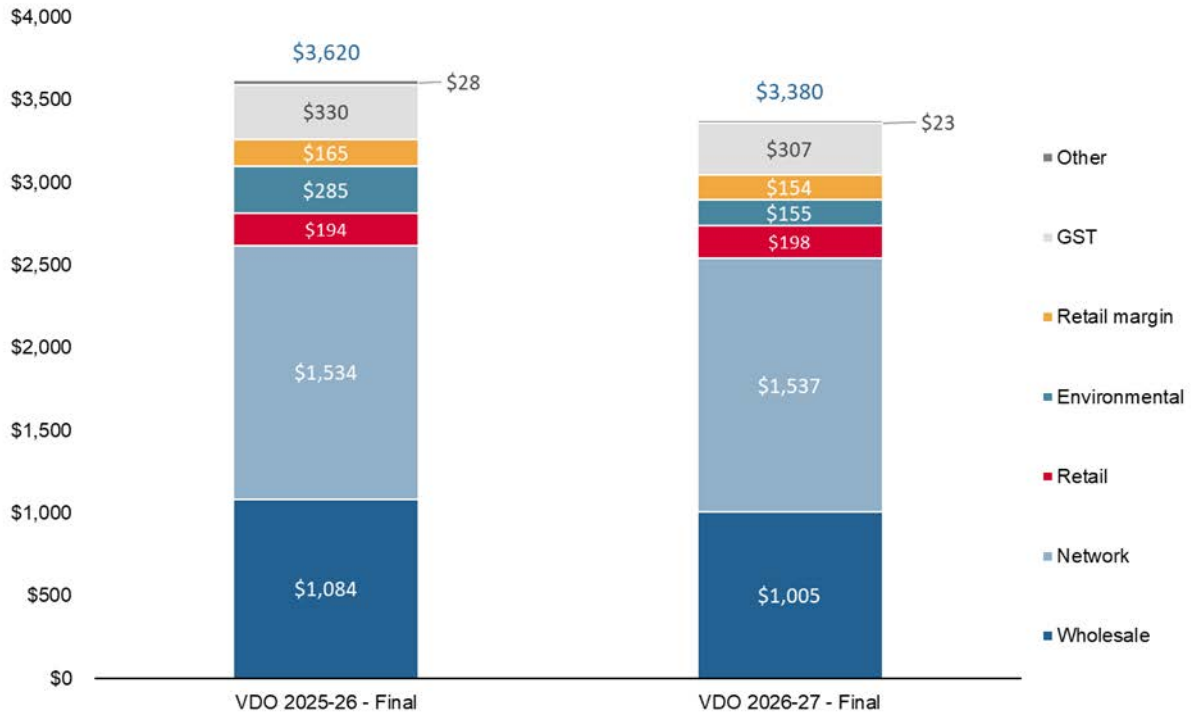
Environmental and wholesale electricity costs for the average small business flat tariff 2026–27 Victorian Default Offer customer decreased compared to 2025–26 (see Figure 2).[16] Decreases in these costs are the main contributors to lower bills overall for small businesses. Wholesale electricity costs on a per kilowatt basis decreased more for small business customers than for residential customers. Additionally, because small business customers consume more energy, their bills are more sensitive to changes in variable (per kilowatt) cost items. For these reasons, the total bill impact on small business customers has been greater.

[14] Values in the table may not sum to exact total due to rounding.

[15] Percentage change in annual bills from below may be different due to rounding.

[16] According to the pricing order clause 15(5)(a)(iii), the annual reference consumption amount was 20,000 kilowatt hours per year for small business customers in making our first determination. We have continued to use this consumption amount in setting our Price Determination. However, currently, when presenting bill impacts, we assume average consumption to be 10,000 kilowatt hours per year for small business customers. We call this 'representative' usage. We have used this representative usage to align with how Australian Energy Regulator reports small businesses prices in default market offers in other states.

Figure 2: Change in 2026–27 Victorian Default Offer annual bills for small business customers (assuming flat rate and annual usage of 10,000 kWh) compared to 2025–26



Victorian electricity distribution zone comparisons – small business

Changes in representative small business customer bills compared to the 2025–26 Victorian Default Offer vary across the five distribution zones in Victoria. The reduction in Victorian Default Offer small business customer bills range from $502 (11 per cent) in the AusNet area to $151 (four per cent) in the Powercor area. The difference in representative annual bills across distribution zones is mainly due to differing network tariffs and wholesale electricity costs.

Table 3 shows the movement of representative annual bills for small business Victorian Default Offer customers in each zone and on average across zones (assuming 10,000 kilowatt hours annual usage).

Table 3: Change in average annual Victorian Default Offer bills for small business customers on flat tariff (nominal assuming 10,000 kWh/year)[17]

	AusNet	CitiPower	Jemena	Powercor	United Energy	Victorian average
2025–26 (final decision)	$4,398	$3,186	$3,720	$3,508	$3,290	**$3,620**
2026–27 (final decision)	$3,896	$3,033	$3,488	$3,357	$3,124	**$3,380**
Change in $	-$502	-$153	-$232	-$151	-$166	**-$241**
Change in %	-11%	-5%	-6%	-4%	-5%	**-6%**

Drivers of the 2026–27 Victorian Default Offer price changes

Lower environmental and wholesale electricity costs are the main factors influencing price decreases in 2026–27. Network costs are lower for domestic customers, but small businesses have seen small increases compared to 2025–26. Our retail operating costs benchmarks are slightly higher than 2025–26 due to increases in inflation.

We have not made any changes to our methodology. Our final decision reflects updated data inputs including wholesale electricity contract prices and network tariffs approved by the Australian Energy Regulator.

Environmental costs

Environmental costs have reduced by 46 per cent (compared to 2025–26) because of lower certificate prices and lower liability for retailers to purchase certificates.[18] Environmental costs are not a large component of overall bills (four per cent in 2026–27) but their large reduction since 2025–26 has contributed to the overall decrease in bills.

[17] Values in the table may not sum to exact total due to rounding.

[18] Environmental certificates are present in the Federal and Victorian environmental programs reflected in the default offer. Victorian Energy Efficiency Certificates in the Victorian Energy Upgrades program which result from energy efficient upgrades performed in Victorian households and businesses. Large-Scale Generation Certificates in the Large-scale Renewable Energy Target program result from the sale of renewable electricity. Small-scale Technology Certificates in the Small-scale Renewable Energy Scheme result from the installation of small-scale renewable energy technology like rooftop solar, solar batteries, solar water heaters and air sources heat pumps.

Network costs

Network costs are the largest cost component of the Victorian Default Offer, comprising around 38 per cent of the cost in 2026–27. They represent the costs associated with delivering electricity to customers' homes and businesses.

Network costs for domestic customers in 2026–27 is two per cent lower compared to 2025–26 (on average, across the five distribution zones) and are a contributor of decreased Victorian Default Offer prices. Network costs have increased for small business customers.

Network costs are provided by the Australian Energy Regulator

Network costs in the Victorian Default Offer are directly passed through from the network tariffs and metering charges approved by the Australian Energy Regulator each year, reflecting its role in regulating networks focused on efficiency and the long-term interests of consumers.[19]

The network tariffs and metering charges vary across Victoria's five distribution zones due to a range of factors:

- geographical scale
- population dispersion
- overall demand
- the age of network substations, transformers, lines and other capital equipment and network investment needs.

Wholesale electricity costs

We have not made any changes to the methodology used to set wholesale electricity costs. Wholesale electricity costs for domestic customers are slightly lower than 2025–26. These costs have decreased slightly from our draft decision because we updated the ASX Energy future contract prices (up to 21 April 2026). This reflects both increases and decreases over future quarters. Contract prices for one quarter decreased and had a more pronounced impact on the overall outcome.

Recent global fuel supply interruptions, while having some effect on contract prices, have not materially impacted our estimate of wholesale electricity costs. We assume retailers take a prudent and efficient approach of buying futures contracts. This locks in the cost of electricity for the

[19] We used 2026–27 network tariffs for this final decision, approved by the Australian Energy Regulator on 14 and 18 May 2026.

coming 12 months. This limits their exposure to spot price volatility during that period, which could arise if global events deteriorate or for a range of other factors.

We acknowledge these disruptions are currently still unresolved, and the uncertainty this presents for future default offer reviews. We will continue to monitor future contract prices and our methodology used to estimate wholesale electricity costs, ensuring it remains efficient and in the long-term interests of Victorians.

Wholesale electricity cost movements vary for representative domestic customer bills across all five Victorian distribution zones. This is because customers in different zones consume energy at different times of the day and throughout the year.

Maintaining a consistent approach

Our final decision for the 2026–27 Victorian Default Offer uses the same cost-calculation methodology as the draft decision.

We consider this approach to be sound. We review our methodology each year and it has remained largely the same for a number of years. During this time, it has achieved the objective of providing a simple, trusted and reasonably priced electricity option that safeguards consumers unable or unwilling to engage in the electricity retail market. This includes over a period of fluctuating and volatile electricity market conditions.

Submissions received on our Draft Decision Paper generally support keeping a consistent pricing methodology. Retailers said a stable and transparent methodology helps to ensure prudent and efficient retailers maintain viable. EnergyAustralia stated:

> We appreciate the ESC's commitment to maintaining consistent methodology in the VDO, which supports regulatory predictability and enables retailers to plan effectively and make efficient decisions.[20]

A strong rationale is always required for us to depart from the methodology in prior use. We consider our approach to the various cost components in this final decision best meets the requirements of the relevant legislative provisions, and accounts for the matters we must have regard to under the *Essential Services Commission Act*, the *Electricity Industry Act*, and the pricing order. See Appendix F for more details.

[20] Submission to the Essential Services Commission, *2026–27 Victorian Default Offer: Draft Decision Paper,* April 2026: EnergyAustralia, p. 1.

Updated cost inputs

In making our final decision, we have used up-to-date cost inputs including:

- network tariffs and metering charges approved by the Australian Energy Regulator, including a three-period time of use tariff for residential customers
- ASX Energy futures contract prices as of 21 April 2026, noting that as futures contract prices change daily, the wholesale electricity cost benchmark adopted in our final decision is different to the one in our draft decision
- other inputs to our cost stack, dependent on available data.

We have considered all submissions received on our draft decision and addressed them in the relevant sections of this paper.

Upholding other protections for customers

Consumer groups raised concerns about electricity bills and their impact on energy hardship.[21] Victorian customers have strong protections in addition to the Victorian Default Offer. Retailers must help customers with payment support, including helping eligible customers apply for Utility Relief Grants (a Victorian government grant of up to $1,300 every two years for eligible customers).[22]

We have also recently introduced more protections for customers.[23]

- From **1 July 2026**, retailers must help eligible customers receive a concession[24], and ensure customers on contracts older than four years are paying a reasonable price.
- From **1 October 2026**, retailers must automatically switch eligible customers onto their best offer. Also, retailers must not disconnect customers who have less than $1,000 in debt (increased from $300).[25]

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[21] Submission to the Essential Services Commission, *2026–27 Victorian Default Offer: Draft Decision Paper,* April 2026: Joint community sector and consumer advocates Victorian Council of Social Service, Community Information and Support Victoria, Consumer Action Law Centre, Council on the Ageing Victoria and Seniors Rights Victoria, Energy Consumers Australia, Financial Counselling Victoria, Uniting Vic Tas, and Westjustice, pp. 1–5.

[22] Energy Retail Code of Practice, Version 5, 1 February 2026, clause 128(1)(d); Utility Relief Grant value is set by the Department of Families, Fairness and Housing. See https://services.dffh.vic.gov.au/utility-relief-grant-scheme.

[23] Essential Services Commission, *Reviewing the Energy Retail Code of Practice*, accessed 12 May 2026.

[24] Various energy concessions are available for Victorian customers. Details and eligibility of these concessions are available at https://services.dffh.vic.gov.au/energy, accessed 20 May 2026.

[25] Eligible customers who will be automatically switched to the best offer are those who are receiving tailored assistance under the Payment Difficulty Framework (PDF) or have been in arrears for at least three months with a debt over $1,000 at the end of those three months (not receiving tailored assistance).

These protections are enforceable obligations on retailers. We will continue to use our compliance and enforcement powers in the public interest, especially for consumers who are experiencing vulnerability.

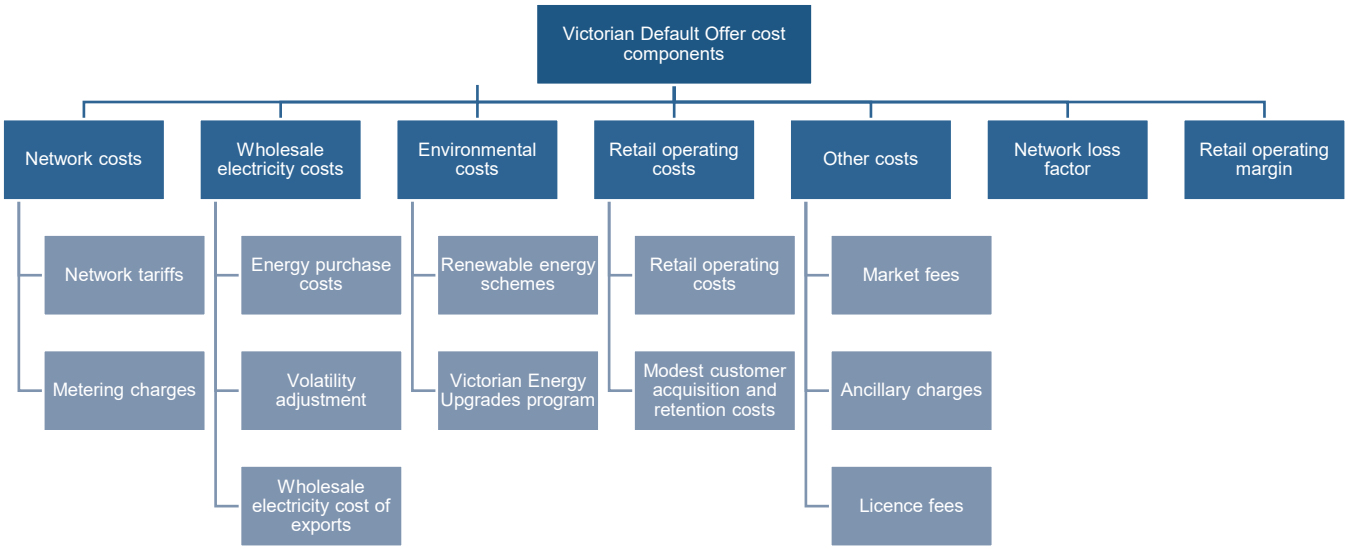
We are also consulting on further reforms to the Energy Retail Code of Practice, with a consultation paper released in March 2026.[26]

[26] Essential Services Commission, Strengthening Protections for Energy Consumers in Victoria: Consultation Paper, 24 March 2026.

Victorian Default Offer cost components

We must base the Victorian Default Offer on the efficient costs of the sale of electricity by a retailer.[27] In doing this, we must have regard to specific cost components.[28] Figure 3 shows the cost components included in our Victorian Default Offer cost stack in 2026–27.

Figure 3: 2026–27 Victorian Default Offer cost stack



The inputs we use for each cost component are:

- **Network costs** – based on distributors' network tariffs and metering charges approved by the Australian Energy Regulator.
- **Wholesale electricity costs** – based on the forecast cost of purchasing electricity in the futures market, a wholesale cost of exports where appropriate and factoring in a volatility allowance.
- **Environmental costs** – based on retailers' costs of complying with environmental obligations imposed under Commonwealth and Victorian law or regulation.
- **Retail operating costs** – based on the customer-weighted average of retailers' actual retail operating costs for domestic and small business customers. These costs include modest customer acquisition and retention costs – based on the 2013–14 average acquisition cost benchmark updated for inflation.

[27] Clause 12(3) of the pricing order.

[28] Clause 12(4) of the pricing order.

- **Other costs** – National Electricity Market Participant fees, ancillary service fees, licence fees, and market intervention costs.
- **Network loss factor** – based on information from the Australian Energy Market Operator, and applied to wholesale electricity costs, environmental costs, and variable other costs.
- **Retail operating margin** – having regard to comparable regulatory decisions, market offer prices relative to default offer prices, the expected returns approach and retailers' actual margins.

The following sections outline our final decision, including the approach taken on each of these cost components. All values expressed are in nominal terms and exclusive of GST unless stated otherwise.

Network costs

- For representative average domestic customers on the flat rate Victorian Default Offer, network costs are $12 (or two per cent) lower in the total annual bill for 2026–27 compared to 2025–26.
- For domestic customers, network costs are $603 and make up around 38 per cent of a representative annual flat rate bill (averaged across the five distribution zones and based on 4,000 kWh annual consumption).
- For representative average small business customers on the flat rate Victorian Default Offer, network costs are $2 (less than one per cent) higher in the total annual bill for 2026–27 compared to 2025–26.
- For small businesses, network costs are $1,537 and make up around 45 per cent of a representative annual small business flat rate bill (averaged across the five distribution zones and based on 10,000 kWh annual consumption).
- We continue to use a cost pass-through approach for network costs. We use the network tariffs, including their structures, and metering charges approved by the Australian Energy Regulator each year.
- We used the 2026–27 network tariffs and metering charges approved by the Australian Energy Regulator on 14 and 18 May 2026 to calculate network costs.
- Our final decision is to change the domestic time of use (ToU) Victorian Default Offer from a two-period to a three-period tariff structure, maintaining alignment with the structure of the underlying network tariff.

- Key changes include the introduction of a lower-cost solar soak period from 11 am – 4 pm daily, and an adjustment of the peak period from 3 pm – 9 pm to 4 pm – 9 pm. The three price periods for the domestic ToU Victorian Default Offer will be:

  - solar soak period: 11 am – 4 pm
  - peak period: 4 pm – 9 pm
  - off-peak period: 9 pm – 11 am.

Our obligation under the pricing order

The pricing order requires that we have regard to **network costs** in estimating the efficient costs of the sale of electricity by a retailer.[29]

Network costs cover the construction, operation, maintenance and expansion of electricity transmission and distribution infrastructure.

Australian Energy Regulator network tariffs and metering charges approval process

Distribution Network Service Providers (distribution providers) and Transmission Network Service Providers (transmission providers) submit revenue proposals to the Australian Energy Regulator (AER) every five years. The AER in turn makes a five-year revenue determination, setting the maximum revenue providers can recover and the structure to the tariffs the revenue is recovered through.

Every year, electricity distribution and transmission providers are required to submit their respective pricing proposals to the AER that contain the tariffs and metering charges they propose to charge their customers. These pricing proposals follow the revenue path set out in their respective five-year revenue determinations (with adjustments) and together form network tariffs.

Following five-year revenue resets, the AER approves network tariffs and metering charges each May for the following financial year. Network tariffs include:

- **distribution charges** – for the use of the distribution network
- **transmission charges** – for the use of the transmission network
- **jurisdictional charges** – for the payments distributors are required to make within each jurisdiction. This includes jurisdictional scheme amounts.

[29] Clause 12(4)(b) of the pricing order.

In turn, electricity retailers must pay approved network tariffs and metering charges to access network services and then pass these costs on to their customers.

Structure of network tariffs

Domestic network tariffs are structured in one of two ways:

- **flat tariffs** – a daily supply charge and a flat usage charge
- **three-period time of use tariffs** – a daily supply charge and solar soak, peak and off-peak usage charges.[30]

Small business network tariffs are structured in one of two ways:

- **flat tariffs** – a daily supply charge and a flat usage charge
- **two-period time of use tariffs** – a daily supply charge and peak and off-peak usage charges.

Distribution tariff reforms – 'solar soak' period

The AER approved the residential tariff structures proposed by each distribution network service provider on 30 September 2025.[31]

Key tariff structure changes include:

- Introduction of a 'solar soak' period in the residential time of use (ToU) tariff between (11 am – 4 pm daily) to encourage electricity use during high solar generation.[32]
- Adjustment of the residential ToU peak period from 3 pm – 9 pm to 4 pm – 9 pm to better reflect demand patterns.[33]

[30] Three-period time of use network tariff structure to take effect from 1 July 2026.

[31] Australian Energy Regulator, *AusNet Draft Decision, Attachment 13, Tariff Structure Statement,* p. 8, September 2025; AER, *Jemena Draft Decision, Attachment 13, Tariff Structure Statement,* p. 8, September 2025; AER, *CitiPower, Powercor, United Energy Draft Decision, Attachment 13, Tariff Structure Statement,* p. 8, September 2025, accessed 30 April 2026.

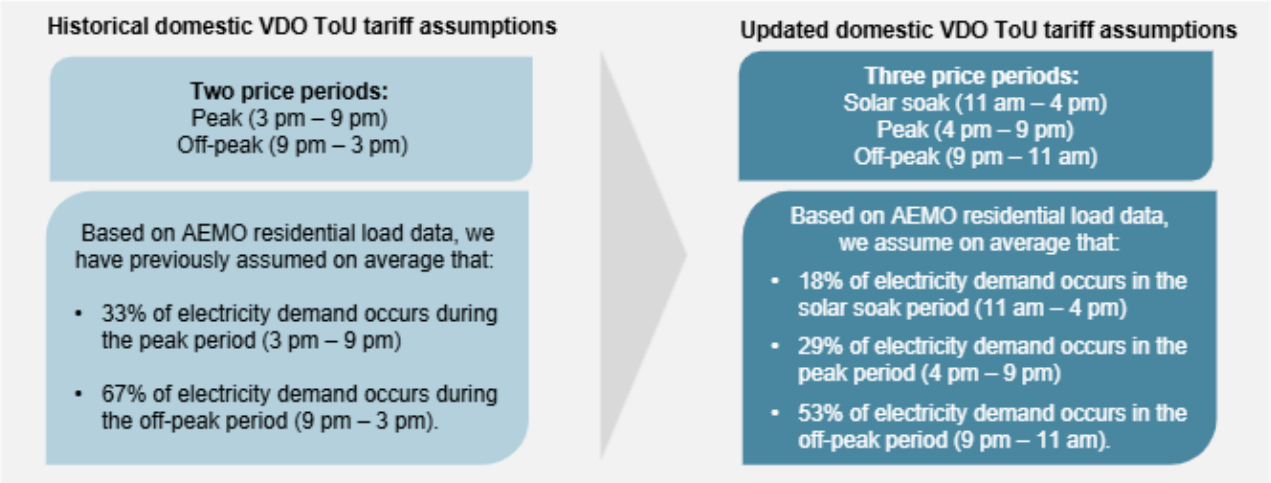
[32] The Australian Energy Regulator uses the term 'residential' in each distribution provider's final decision documentation, and distribution providers also use 'residential' in their initial and revised revenue proposal documents. However, we refer to this customer category as 'domestic', in accordance with clause 5(a) of the pricing order.

[33] AusNet, *Revised Tariff Structure Statement 2026–31 Explanatory paper,* December 2025; CitiPower, *Revised Tariff Structure Statement 2026–31 Explanatory statement,* December 2025; Jemena, *Revised Tariff Structure Statement 2026–31,* December 2025; Powercor, *Revised Tariff Structure Statement 2026–31 Explanatory statement,* December 2025; United Energy, Revised Tariff Structure Statement 2026–31 Explanatory statement, December 2025, accessed 28 April 2026.

Since 2021, the Victorian Default Offer domestic ToU tariff has included two price periods, reflecting the underlying structure of distribution tariffs that applied at that time.[34]

Our final decision is to reflect the three-period structure for domestic time of use tariffs for 2026 to 2031. We have based our usage assumptions on three-year load data rather than one year.[35] As a result, our usage assumptions for the solar soak and off-peak periods have changed slightly since our draft decision. Figure 4 illustrates the changes to our model assumptions to incorporate this three-period structure.

Figure 4: Historical and updated Victorian Default Offer domestic time of use tariff assumptions



Submissions support our approach to network costs

Overall, submissions to our Draft Decision Paper supported the adoption of a three-period time of use Victorian Default Offer to enable the continuation of the cost pass-through approach and maintain alignment with underlying network tariff structures.[36] Submissions highlighted the continued alignment of retail and underlying network tariffs:

- allows retailers to better match underlying costs
- helps customers understand the change from two periods to three

[34] We amended the 2021 Victorian Default Offer price determination in July 2021 to incorporate a two-period time of use tariff.

[35] Data is current at read date 30 January 2026 subject to change and amendment.

[36] Submissions to the Essential Services Commission, *2026–27 Victorian Default Offer: Draft Decision Paper,* April 2026: AGL Energy, pp. 1–2; Alinta Energy, p. 2; Australian Energy Council, p. 2; ENGIE, p. 2; Origin Energy, pp. 2–4.

- more accurately reflects cost signals.[37]

Maintaining the cost pass-through approach also ensures consistency and reliability in the assessment of the Victorian Default Offer and aligns with expectations of interested parties.

Australian Energy Council

The Australian Energy Council stated that industry needs adequate time to implement a new time of use structure, including updates to processes and deemed best offer systems.[38] However, we note that the change to a three-period time of use tariff was proposed by distribution network service providers in consultation with industry, and therefore adequate lead time has been available. The Australian Energy Regulator approved the domestic time of use tariff structures in its draft determination in September 2025, and we advised in our Draft Decision Paper in March that we would reflect this structure.[39]

AGL Energy

AGL Energy proposed incorporating network charges associated with a new opt-in, two-way charging residential network tariff for the 2026–31 period, subject to approval by the Australian Energy Regulator.[40] As this tariff does not form part of the default network tariff structure, it was not included in our final decision.

Origin Energy

Origin Energy sought clarification on customer assignment rules across Victorian Default Offer tariffs, particularly whether customers on a three-period time of use network tariff can choose a flat-rate Victorian Default Offer, and how any resulting misalignment between network and retail costs should be addressed.[41]

We are not aware of any significant legal barriers for retailers to resolve any instances of tariff misalignment. If Origin Energy or other interested parties wish to provide evidence of tariff misalignment being a material issue, we can consider this in future Victorian Default Offer reviews.

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[37] Submissions to the Essential Services Commission, *2026–27 Victorian Default Offer: Draft Decision Paper,* April 2026: AGL Energy, p. 2; Alinta Energy, p. 2; Australian Energy Council, p. 3; ENGIE, p. 2; Origin Energy, pp. 2–4.

[38] Submission to the Essential Services Commission, *2026–27 Victorian Default Offer: Draft Decision Paper,* April 2026: Australian Energy Council, p. 2.

[39] Essential Services Commission, *Victorian Default Offer 2026–27: Draft Decision Paper*, pp. 16–20, 12 March 2026.

[40] Submission to the Essential Services Commission, *2026–27 Victorian Default Offer: Draft Decision Paper,* April 2026: AGL Energy, p. 2.

[41] Submission to the Essential Services Commission, *2026–27 Victorian Default Offer: Draft Decision Paper,* April 2026: Origin Energy, pp. 3–4.

Electrify Boroondara

Electrify Boroondara stated that the default offer shouldn't be the primary vehicle for introducing complex tariff structures and households may find it hard to compare tariffs that depend on behaviour changes.[42] Both the flat rate and time of use Victorian Default Offers reflect the underlying network tariff structure approved by the Australian Energy Regulator.

We consider the flat rate Victorian Default Offer remains a simple pricing structure that does not depend on households changing their electricity consumption behaviour and therefore continues to serve as a key safeguard for customers. The addition of a third period to the time of use Victorian Default Offer structure, introduces a lower cost 'solar soak' period between 11 am and 4 pm. The time of use Victorian Default Offer will generally only apply to customers who were previously on time of use retail tariff.

Residential consumer

A Victorian residential consumer raised concerns about differences in distribution pricing across the state, expressing dissatisfaction with the current boundary-based pricing model and urging a boundary review or other mechanisms to better align distribution charges for customers living near network borders.[43]

We acknowledge the concerns raised about differences in distribution charges across network boundaries, particularly where customers living close to one another may face different electricity costs depending on which distribution area they are in. Network charges are set separately for each distribution zone and reflect differences in the costs of building, maintaining and operating those networks, including factors such as geography, customer density and historical investment. We understand these differences can be frustrating for some consumers. The current framework is designed to align network charges with the costs of providing services within each distribution area. There are no current proposals to change distribution network boundaries or the underlying pricing framework.

We maintained a cost pass-through approach to network costs

Consistent with our draft decision and established approach to network costs, we consider it appropriate to maintain a cost pass-through methodology in the Victorian Default Offer. This approach:

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[42] Submission to the Essential Services Commission, *2026–27 Victorian Default Offer: Draft Decision Paper,* April 2026: Electrify Boroondara – Part 2, p. 1.

[43] Submission to the Essential Services Commission, *2026–27 Victorian Default Offer: Draft Decision Paper,* April 2026: Anonymous 1, pp. 1–2.

- recognises that retailers pay the network tariffs and metering charges approved by the Australian Energy Regulator
- aligns with the Australian Energy Regulator's role in regulating networks with a focus on efficiency and the long-term interests of consumers.

We have used the network tariffs and metering charges approved by the Australian Energy Regulator on 14 and 18 May 2026.[44]

Overall, network costs in a representative domestic Victorian Default Offer bill are lower than they were in 2025–26 because of the lower network tariffs approved by the Australian Energy Regulator. Table 4 shows the change in network cost across each distribution zone in Victoria. The change in network cost for representative domestic customers ranges from decreases of ten per cent to increases of three per cent, depending on the distribution zone.

All distribution zones are experiencing a decrease in metering costs compared to 2025–26. AusNet's decrease in metering costs is particularly significant, lowering both the average metering cost and overall average network cost across all distribution providers.

Factors which influence tariffs and metering costs

The Australian Energy Regulator has advised that changes in approved tariffs and metering costs are driven by the following factors:

- Differing movements in allowed revenue (per the Australian Energy Regulator's final determinations, including metering; before annual pricing adjustments such as cost pass-throughs and incentive schemes) from 2025–26 to 2026–27.
- Decreases in aggregate incentive scheme rewards for each distributor.
- Differing movements from approved cost pass-throughs, reflecting that some distributors have less cost pass-through amounts in 2026–27 compared to 2025–26, and some have increases.[45]
- Increases in transmission costs.
- Differing movements to true-up previously under- or over- recovered revenues.

[44] Australian Energy Regulator, *AusNet 2026-27 SCS Pricing Model, 15 May 2026; CitiPower 2026-27 SCS Pricing Model, 7 May 2026; Jemena 2026-27 SCS Pricing Model, 7 May 2026; Powercor 2026-27 SCS Pricing Model, 7 May 2026; United Energy 2026-27 SCS Pricing Model, 7 May 2026;* accessed 20 May 2026.

[45] A cost pass-through is a mechanism through which regulated entities can directly recover costs incurred beyond the reasonable control of the business, such as new statutory obligations or damage to infrastructure caused by a natural disaster.

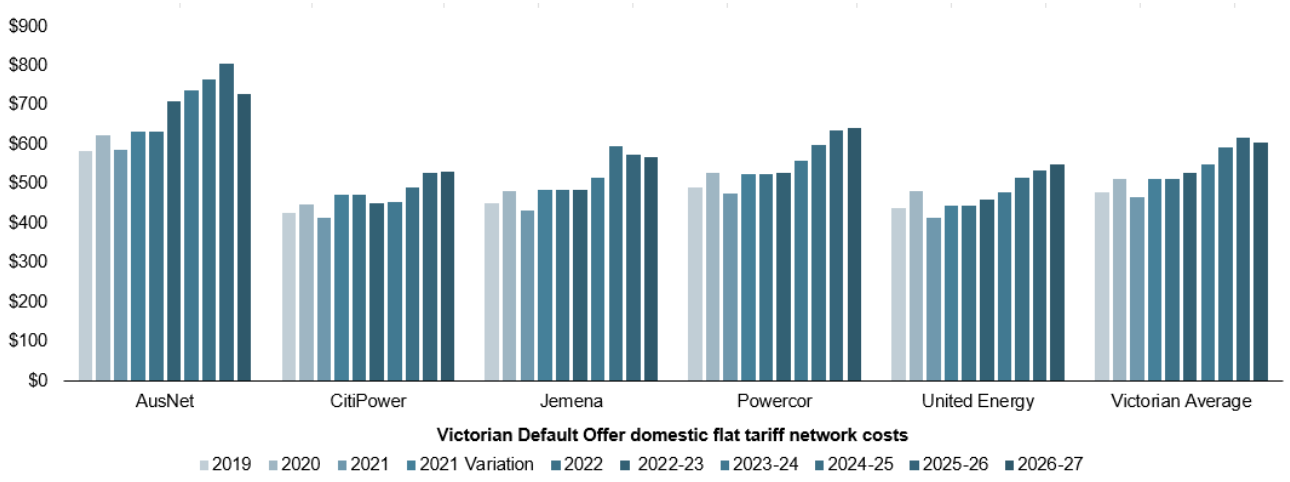
- Decreases resulting from forecast increases in consumption compared to 2025–26.[46]

Table 4: Change in network costs for domestic flat tariffs (nominal)[47]

	AusNet	CitiPower	Jemena	Powercor	United Energy	Victorian average
2025–26 (final decision)	$805	$527	$573	$637	$535	$616
2026–27 (final decision)	$728	$532	$566	$640	$551	$603
Change in $	-$78	$4	-$7	$3	$15	-$12
Change in %	-10%	1%	-1%	1%	3%	-2%

Figure 5 presents network costs across Victorian distribution zones. It shows a general upward trend in network costs since 2019 across the five distribution zones, despite the variance.

Figure 5: Historical network costs across Victorian distribution zones



Wholesale electricity costs

- For representative average domestic customers on the flat tariff Victorian Default Offer, wholesale electricity costs are $10 (or two per cent) lower in the total annual bill for 2026–27 compared to 2025–26.

[46] Advised by the AER via email on 19 May 2026 and supported by the Australian Energy Regulator's Statement of Reasons documents: *AusNet 2026-27 Statement of Reasons, 20 May 2026*; *CitiPower 2026-27 Statement of Reasons, 20 May 2026*; *Jemena 2026-27 Statement of Reasons, 20 May 2026*; *Powercor 2026-27 Statement of Reasons, 20 May 2026*; *United Energy 2026-27 Statement of Reasons, 20 May 2026*. Accessed 20 May 2026.

[47] Values in the table may not sum to exact total due to rounding.

- For domestic customers, wholesale electricity costs are $491 and make up around 31 per cent of a representative annual flat tariff bill (averaged across the five distribution zones and based on 4,000 kWh annual consumption).
- For representative average small business customers on the flat tariff Victorian Default Offer, wholesale electricity costs are $79 (or seven per cent) lower in the total annual bill for 2026–27 compared to 2025–26.
- For small businesses, wholesale electricity costs are $1,005 and make up around 30 per cent of a representative annual small business flat tariff bill (averaged across the five distribution zones and based on 10,000 kWh annual consumption).
- We used the same approach to estimate wholesale electricity costs as the 2025–26 Victorian Default Offer. This included a futures market approach to forecast wholesale electricity costs.
- The wholesale electricity cost component in our final decision is slightly lower than estimated in our draft decision. This is due to updating the wholesale future contract prices between our draft and final decision. We use four quarters of volume weighted future contracts: base swaps and caps. Swap and cap prices for one of these quarters have decreased and lowered the wholesale electricity costs from our draft decision.

Our obligation under the pricing order

The pricing order requires that we have regard to **wholesale electricity costs** in estimating the efficient costs of electricity retailers.[48]

Retailers face wholesale electricity costs when they buy electricity from the wholesale market to supply to their customers.

In the wholesale electricity market, generators bid to have their electricity sent to the grid and retailers buy electricity to meet their customers' demands. Generators bid every five minutes and prices can fluctuate.

Buying electricity from the wholesale electricity spot market exposes retailers to the risk that electricity prices may be high when they need to buy electricity.

[48] Clause 12(4)(a) of the pricing order.

There are many ways retailers can hedge their risk including by contracting directly with a generator, through a financial market transaction on ASX Energy (a futures market), or with another financial intermediary.

Futures markets allow retailers to engage in hedging as a way of managing this risk. When a retailer hedges its wholesale electricity spot risk, the price it pays for electricity can be set, capped, or offset in advance.

We use a futures market approach

A futures market-based approach forecasts wholesale electricity costs by reference to the costs a retailer faces in supplying electricity to their customers using financial hedging products. We use this approach in setting the Victorian Default Offer because hedging reflects how a prudent retailer would limit exposure to high wholesale electricity spot prices, manage short-term volatility and ensure its wholesale electricity costs are efficient.

We use a load only profile

A key input into forecasting annual wholesale electricity costs in the Victorian Default Offer is the customer load profile. We aim to use load profile data that is reflective of the costs to retailers of purchasing electricity for their residential and small business customers across the coming financial year.

We have kept the approach from our final decision on the 2025–26 Victorian Default Offer. This approach uses load profile data from the Australian Energy Market Operator (market operator) with interval meter data split by imports (customers' demand for electricity) and exports (from sources like rooftop solar), as recorded at the end of each 5-minute interval.

This 'load only' profile largely aligns with the Australian Energy Regulator's approach to setting the Default Market Offer.[49] The Default Market Offer applies to standing offer customers in New South Wales, Southeast Queensland and South Australia.

To assist with transparency, we published the Victorian small customers' 5-minute metered data on our website, as provided to us from the market operator.[50] This data displays disaggregated small customer usage in each distribution zone, split by residential, business, imports, exports and a balance position. We use this data to estimate customers' load profiles.

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[49] Australian Energy Regulator, *2026–2027 Default market offer prices: Draft determination*, 19 March 2026, p. 3, accessed 21 April 2026.

[50] Data is current at read date 30 January 2026 subject to change and amendment.

We considered submissions on our approach to wholesale electricity costs

We received seven submissions on wholesale electricity costs that mainly focussed on the load only profile we use.[51] Origin Energy was generally supportive of our approach, while the Australian Energy Council and most other retailers opposed removing solar exports from the load profile, for example:

> ENGIE reiterates its position that excluding customer exports from customers' load profiles flattens the load profiles and does not reflect that retailers enter into hedging contracts based on their net load. ENGIE contends that retailers experience these hedging cost impacts regardless of whether the solar-weighted wholesale electricity price is positive or negative.[52]

We considered the points raised in submissions but remain of the view that a load-only profile is the appropriate and efficient approach for estimating retailers' wholesale electricity costs under the Victorian Default Offer. This remains consistent with the advice previously provided by Frontier Economics.[53]

In practice, retailers bill customers for imports and separately account for solar exports through feed-in tariffs. Consistent with this, we estimate wholesale costs for imports using a load-only profile and consider the wholesale cost of exports separately (see below). We therefore consider this approach better reflects retailers' wholesale costs than a balanced load profile.

The pricing order states we must base the Victorian Default Offer on the efficient costs of the sale of electricity by a retailer.[54] It does not require us to determine tariffs based on the actual costs of an individual retailer or the hedging practices of any individual retailer.[55]

We have not included a wholesale electricity cost of exports

Negative wholesale prices are a consequence of periods of oversupply, typically associated with high renewable generation. Overall negative prices can result in an added expense that retailers would face for their customers' exports (a wholesale electricity cost of exports). To account for this, we previously added a wholesale electricity cost to the 2025–26 Victorian Default Offer.

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[51] Submissions to the Essential Services Commission, *2026–27 Victorian Default Offer: Draft Decision Paper*, April 2026: AGL Energy, p. 2, Alinta Energy, p. 1; Australian Energy Council, p. 3; Electrify Boroondara – Part 1, p. 2; EnergyAustralia p. 3; ENGIE, pp. 2–3; Origin Energy pp. 1–3.

[52] Submission to the Essential Services Commission, *2026–27 Victorian Default Offer: Draft Decision Paper*, April 2026: ENGIE p. 2.

[53] Frontier Economics 2025, *Advice on load profile to use for the VDO: A note for the* ESC, 12 February, p. 2.

[54] Clause 12(3) of the pricing order.

[55] Clause 12(8) of the pricing order.

The forecast solar-weighted wholesale electricity price for 2026–27 is $1.17 per MWh, resulting in an overall positive value.[56] As the forecast solar-weighted wholesale electricity price is positive, we have not included a wholesale electricity cost of exports.

The main drivers of this change in price (from overall negative to positive) are less severe negative intervals and therefore higher daytime prices. This is in part due to less volatility in the wholesale electricity market, and large solar and wind generators bidding higher prices during daytime hours.[57]

Some retailers made submissions that argued this approach did not reflect a cost they incur from customer exports. The Australian Energy Council also stated:

> Retailers face real and unavoidable costs associated with customer exports, including exposure to negative pricing events, settlement and clearing costs and hedging cost impacts.[58]

When the forecast solar-weighted wholesale electricity price is overall negative, and a retailer's customer exports electricity, that retailer must make a settlement payment to the market operator. Retailers cannot recover this cost by charging their customers who exported that electricity and it is a cost that should be recoverable in the Victorian Default Offer.

We acknowledge retailers may face positive and negative price outcomes related to their customers' exporting behaviour across the year. However, we consider the price outcome overall should account for the net cost impact on retailers.

We have used an updated reading of wholesale electricity contract prices, so this differs slightly from our draft decision but remains an overall positive price outcome.

We used a Monte Carlo simulation to forecast demand and spot prices

To forecast customers' electricity demand and the relationship between price and demand, we analyse historical data on load and prices. We have previously used the most recent three years of

[56] Frontier Economics 2026, *Wholesale electricity costs for 2026–27: A report for the Essential Services Commission*, 6 May 2026, p. 47.

[57] Australian Energy Market Operator, *Quarterly Energy Dynamics Q1 2026*, April 2026, pp. 19, accessed 30 April 2026.

[58] Submission to the Essential Services Commission, *2026–27 Victorian Default Offer: Draft Decision Paper*, April 2026: Australian Energy Council, p. 3.

interval meter data and wholesale electricity spot prices (both recorded at 30-minute intervals). We source this data from the market operator for use in the Monte Carlo simulation.[59]

We think a three-year sample period provides an appropriate time series to analyse wholesale costs, while accounting for changes in demand patterns. Using a shorter period would place undue emphasis on short-term market dynamics or one-off weather events. We have therefore retained this approach, aside from using demand and price data recorded at 5-minute intervals.

The Monte Carlo simulation randomly generates a year of 5-minute observations. This process is repeated 500 times to generate a range of simulated years.[60] Each simulated year is normalised to maintain load shape and the correlation between load and price and scaled to 5-minute future prices. This is done so that the time-weighted average price in each quarter is equal to the relevant quarterly ASX Energy base swap price for 2026–27, subtracting a contract premium.[61] Our methodology excluded days on which ASX market participants exercise their contract options from these trade-weighted averages, as our approach assumes that retailers use swaps and caps to hedge their load, but not options.

These simulations give a range of possible outcomes for demand and the relationship between price and demand for 2026–27.

Submissions raised recent global security as a risk that will increase volatility in the wholesale market.[62] It was argued that since our draft decision, wholesale future contract prices for 2026–27 have increased:

> Conflict in the Middle East and the resulting fuel market disruption will likely have flow-on impacts on wholesale prices in Australia. Indeed, there is some analysis to suggest that a prolonged conflict, particularly if it damages key LNG export facilities in the Persian Gulf, could materially worsen global supply conditions and place upwards pressure on energy

[59] A Monte Carlo simulation is a mathematical technique used to estimate the possible outcomes of an uncertain event or process by running many random trials. Frontier Economics provides more detail in their report, Frontier Economics 2026, *Wholesale electricity costs for 2026–27: A final report for the Essential Services Commission*, 6 May 2026, p. 16.

[60] Frontier Economics use a random drawing of data from a pool of like days, where days are classified as either weekdays or weekends, from either Q1 (January to March), Q2 (April to June), Q3 (July to September) and Q4 (October to December).

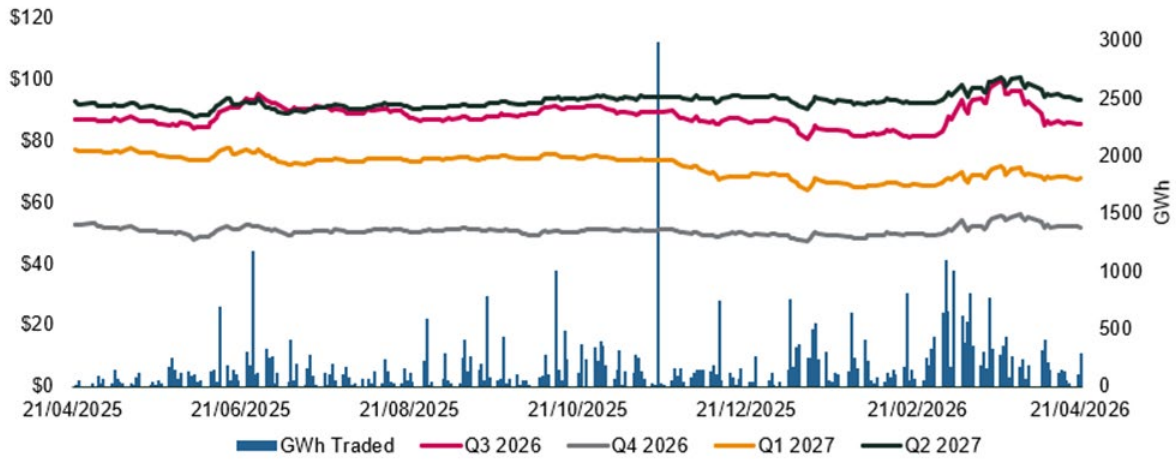
[61] The assumed contract premium is five per cent on the underlying prices. Frontier Economics 2026, *Wholesale electricity costs for 2026–27: A final report for the Essential Services Commission*, 6 May 2026, p. 17.

[62] Submission to the Essential Services Commission, *2026–27 Victorian Default Offer: Draft Decision Paper*, April 2026: AGL Energy, p. 2; ENGIE, p. 2.

> prices here in Australia. NEM futures for the 2026–27 financial year (aligned with the draft determination period), for instance, were up 11% since 2 March 2026 for Victoria.[63]

Our wholesale methodology for the final decision uses future contract prices up until 21 April 2026. Therefore, our final decision includes market changes that occurred after our draft decision. As illustrated in Figure 6, the prices of base swap contracts increased from late February in response to global conflict and associated uncertainty for fuel supplies. These prices have since appeared to stabilise. Global events are currently ongoing and may have some corresponding impact on electricity contract pricing. Should these conditions remain, they will be captured in future Victorian Default Offer reviews.

Figure 6: Base swaps for 2026–27 Financial Year by price and volume



Source: ASX Energy and ESC analysis

Retailers may have more exposure to spot prices movements (which are more volatile) depending on their hedging strategy. However, we use an approach that leaves little exposure to spot prices and accounts for a volatility allowance in the event of severe and unexpected market events.

Retailers requested we publish more information

EnergyAustralia requested we publish more information:

> Frontier Economics' Monte Carlo simulation models spot price conditions against which the efficient hedging position – comprising base swaps and $300 caps – is assessed. The 12-month trade-weighted ASX base swap prices are published in Table A.1 of the draft decision.

[63] Submission to the Essential Services Commission, *2026–27 Victorian Default Offer: Draft Decision Paper*, April 2026: ENGIE, p. 2.

> However, Frontier's report does not appear to disclose the implied cap price its simulation produces.[64]

We acknowledge this feedback. The implied price is added to Frontier Economics' settling spreadsheets which are published on our website. This is to avoid confusion for interested parties who may not be familiar with the difference between the ASX Cap price and the implied price.

We kept our approach to estimating an efficient hedging position

Within the range of possible demand conditions derived from the Monte Carlo simulations, we estimated the hedging position of a prudent retailer. The hedging position is the level of protection from spot prices, using a combination of hedging contracts, that a retailer selects.

We used Frontier Economics' STRIKE model to develop an efficient contracting position for making our final decision. The model used:

- ASX Energy base swap and base cap future contract prices
- three years of historical load data and spot prices from the market operator
- the spot price and demand conditions generated from the historical data by the Monte Carlo simulations.

Using this data, the STRIKE model determined a hedging position that represents an efficient mix of hedging products that a prudent retailer would use to represent a position that is the lowest energy purchase cost for the lowest level of risk.

To estimate the cost of this hedging position, we used the 12-month trade-weighted contract prices from ASX Energy for base swap and base cap contracts. There are many different hedging products available. However, we continue to use futures prices from ASX Energy to estimate wholesale electricity costs as participants publicly trade ASX Energy contracts. This means that prices and volumes are transparent.

We applied a volatility allowance in forecasting wholesale electricity prices

We applied a volatility allowance to the wholesale electricity cost components of the Victorian Default Offer cost stack. This allowance covers the cost to retailers of holding working capital to fund spot market purchases during periods of very high spot prices, which are unexpected and hard to predict.

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[64] Submission to the Essential Services Commission, *2026–27 Victorian Default Offer: Draft Decision Paper*, April 2026: EnergyAustralia, p. 3.

We calculated the volatility allowance based on the difference between our forecast wholesale electricity costs for the median simulated year and those for the costliest simulated year. This was completed for each of the five Victorian distribution areas.

In some years, actual costs will be higher than expected. In others, it will be lower. Over time, we would expect the higher and lower costs to balance out.

Our methodology means in general we would expect there to be relatively little unhedged load. For example, during the very high spot prices experienced during 2022, we monitored the exposure retailers would face if they had adopted the hedging position assumed in our 2022–23 Victorian Default Offer wholesale electricity cost benchmark.

We found that retailers hedged in this way would have had very little unhedged load and therefore little need for working capital to support the extreme market scenario that eventuated. We consider this approach remains true in the context of current global energy market events.

Accounting for increased uncertainty and volatility

Submissions suggested we should account for the increased uncertainty and volatility arising from the conflict in the middle east.[65] The impact of these events is largely captured in the forward contract prices used for our wholesale electricity cost, as these prices reflect the market's expectations of future supply, demand, and risk conditions over the relevant period. More broadly, the National Electricity Market is now somewhat less exposed to international gas market volatility than in previous years, reflecting, in part, increased renewable generation and storage capacity.

We also provide retailers with a volatility allowance to provide working capital to cover such events.

We acknowledge that some retailers may choose a riskier hedging position than assumed in our wholesale cost benchmark and therefore have higher working capital requirements. However, under the pricing order, the Victorian Default Offer must be based on the efficient costs of the sale of electricity by a retailer. We are not required to set our cost benchmarks to reflect the actual costs of individual retailers.[66]

Also, retailers with greater exposure to the wholesale spot price would spend less on hedging contract costs. As a result, if we were to increase the volatility allowance, we would also have to make a commensurate decrease in hedging contract purchase costs.

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[65] Submissions to the Essential Services Commission, *2026–27 Victorian Default Offer: Draft Decision Paper*, April 2026: AGL Energy, p. 2; ENGIE, pp. 2–3.

[66] Clause 12(3) and (8) of the pricing order.

Wholesale electricity costs are lower in representative domestic customer bills compared to 2025–26

Wholesale electricity costs are the second largest component of annual bills, making up 31 per cent of domestic and 30 per cent of small business Victorian Default Offer customers bills for 2026–27. This cost reflects both the wholesale electricity cost to service electricity customers' demand and consideration of the wholesale electricity cost of customers' exports.

The wholesale electricity costs are a yearly expense of $491 for a representative domestic customer and $1,005 for a representative small business customer on the default offer.

For representative domestic customers, wholesale electricity costs are $10 (or two per cent) lower than in our 2025–26 Victorian Default Offer. For representative small business customers this cost is $79 (or seven per cent) lower than in our 2025–26 Victorian Default Offer.

Environmental costs

- Under the 2026–27 Victorian Default Offer, environmental costs represent about $62 (or four per cent) of a representative annual flat tariff bill (averaged across the five distribution zones and based on 4,000 kWh annual consumption).
- For domestic customers, environmental costs are about 46 per cent lower (on average), compared to the 2025–26 Victorian Default Offer. This is primarily driven by lower liabilities and certificate prices in both the Australian Government and Victorian Government environmental programs. The decline in the Large-scale Renewable Energy Target certificate prices is due to an oversupply of certificates.
- Our approach for estimating the Large-scale Renewable Energy Target, Small-scale Renewable Energy Scheme and the Victorian Energy Upgrades program costs remain the same as earlier decisions.

Our obligation under the pricing order

The pricing order requires that we have regard to **environmental costs** in estimating the efficient costs of electricity retailers.[67]

Environmental costs are the costs retailers incur in complying with their environmental obligations under Victorian or Commonwealth law or regulation.

[67] Clause 12(4)(c) of the pricing order.

For Victorian energy retailers, environmental costs arise from the following government programs:

- Large-scale Renewable Energy Target
- Small-scale Renewable Energy Scheme
- Victorian Energy Upgrades program.

Our approach to environmental costs

We forecast environmental costs based on the unavoidable costs retailers incur in complying with environmental obligations. We include them in the Victorian Default Offer, as they reflect a retailer's efficient costs of selling electricity.[68]

As of 1 July 2025, the commission no longer sets a mandatory minimum feed-in tariff.[69] This means the social cost of carbon is not required to be paid by retailers and therefore has not been included in the 2026–27 Victorian Default Offer.

We kept our approach to Large-scale Renewable Energy Target costs

The Large-scale Renewable Energy Target is an Australian Government program designed to reduce emissions in the electricity sector and encourage generation from renewable sources. It creates a financial incentive for the installation of large-scale renewable energy power stations.

Under the Large-scale Renewable Energy Target, eligible power stations create Large-scale Generation Certificates (LGCs) for every megawatt hour of renewable power they generate. Electricity retailers buy LGCs to meet their legally binding Renewable Energy Target obligations.

The amount of renewable energy certificates an electricity retailer buys is determined by their wholesale electricity purchases and the renewable power percentage. The Clean Energy Regulator determines the renewable power percentage using annual renewable generation targets and the amount of wholesale electricity purchased by electricity retailers.

Calculating Large-scale Renewable Energy Target costs

We use the same approach as the previous Victorian Default Offer to calculate retailer costs for the Large-scale Renewable Energy Target. Our approach uses publicly available information and is a transparent and replicable method for estimating the efficient cost (per megawatt hour) for a retailer meeting its obligations under the program.

We take the applicable liability percentage set by the Clean Energy Regulator each calendar year (16.67 per cent in 2026) and multiply by the 12-month trade-weighted average market price for

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[68] Clause 12(3) of the pricing order.

[69] *Energy and Land Legislation Amendment (Energy Safety) Act 2025*, s97B.

LGCs settled in 2026–27 ($10.92).[70] This LGC price is $24.25 lower than that used in our 2025–26 Victorian Default Offer.[71]

As the liability percentage is set each calendar year and our decisions are for the financial year, we also include a 'regulatory period adjustment' to account for the difference between the estimated liability percentage used in our previous decision (17.91 per cent in 2025) and the actual liability percentage for the 2025–26 period that is now available. We do this by reflecting the midpoint between the liability percentages used in our previous and current decisions.

Final decision: Large-scale Renewable Energy Target costs

Our calculated cost of complying with the Large-scale Renewable Energy Target for 2026–27 is $1.55 per megawatt hour for domestic and small business Victorian Default Offer customers.[72]

This is a decrease of $4.58 per megawatt hour from our 2025–26 Victorian Default Offer because of the lower liability percentage, regulatory adjustments, and certificate prices.[73]

We kept our approach to the Small-scale Renewable Energy Scheme

The Small-scale Renewable Energy Scheme is an Australian Government program to encourage investment in small-scale renewable energy. When individuals and small businesses install eligible small-scale renewable energy systems such as solar panels, solar hot water systems and air source heat pumps, they create Small-scale renewable Technology Certificates (STCs).[74]

Electricity retailers must buy STCs under the Small-scale Renewable Energy Scheme.

In February, the Clean Energy Regulator sets a **binding** small-scale technology percentage (binding liability percentage) for the current year, and a **non-binding** small-scale technology

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[70] The Clean Energy Regulator uses the liability percentage to calculate amount of LGCs liable entities must surrender each year. The Clean Energy Regulator set the renewable power percentage at 16.67 per cent for 2026. The renewable power percentage, Clean Energy Regulator, accessed 12 May 2026, https://www.cleanenergyregulator.gov.au/RET/Scheme-participants-and-industry/the-renewable-power-percentage.

We have used the most recent 12-months of trade-weighted average market prices for LGCs settled in 2026–27 as of 21 April 2026. Frontier Economics, *Wholesale electricity costs for 2026–27: A final report for the Essential Services Commission*, 6 May 2026, p. 43.

[71] The decline in the Large-scale Renewable Energy Target certificate prices is due to an oversupply of certificates. Clean Energy Regulator, *Quarterly Carbon Market December quarter 2025*, 5 March 2026, accessed 19 May 2026.

[72] The regulatory period adjustment value accounts for retail operating margin, network line losses and GST.

[73] Renewable power percentage, Clean Energy Regulator, https://www.cleanenergyregulator.gov.au/RET/Scheme-participants-and-industry/the-renewable-power-percentage, accessed 2 April 2026.

[74] For more information see https://www.cleanenergyregulator.gov.au/RET/About-the-Renewable-Energy-Target/How-the-scheme-works/Small-scale-Renewable-Energy-Scheme, accessed 27 April 2026.

percentage (non-binding liability percentage) for future years.[75] These liability percentages set the amount of STCs electricity retailers must buy. Electricity retailers must surrender STCs to meet their obligation for that year.

Calculating Small-scale Renewable Energy Scheme costs

We kept our approach to calculate the cost of the Small-scale Renewable Energy Scheme including performing a regulatory period adjustment of our 2025–26 decision.

We used the mid-point between the 2026 binding and 2027 non-binding liability percentages, multiplied by the STC clearing house price ($40).[76] Our final decision uses 11.21 per cent, the mid-point between the 2026 binding percentage of 11.67 and the 2027 non-binding percentage of 10.75.

As the liability percentage is set each calendar year and our decisions are for the financial year, we also include a 'regulatory period adjustment' to account for the difference between the estimated liability percentage used in our earlier decision (11.79 per cent) and the actual liability percentage for the 2025–26 period.[77] We do this by reflecting the midpoint between the binding liability percentages used in our earlier and current decisions.

Final decision: Small-scale Renewable Energy Scheme costs

Our final decision for domestic and small business Victorian Default Offer customers, regarding the cost of complying with the Small-scale Renewable Energy Scheme for 2026–27, is $4.45 per megawatt hour. We also included a regulatory period adjustment to account for the difference between the midpoint liability percentage used in the 2025–26 Victorian Default Offer final decision and the actual midpoint for 2025–26.

This is a decrease of $0.14 per megawatt hour from our 2025–26 Victorian Default Offer because of lower liability percentages.

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[75] Clean Energy Regulator, https://www.cleanenergyregulator.gov.au/RET/Scheme-participants-and-industry/the-small-scale-technology-percentage, accessed 27 April 2026.

[76] Small-scale renewable energy system owners and registered agents have the option to sell STCs through the open market for an uncapped price, or through the STC clearing house at a fixed price of $40 (excluding GST). STC clearing house, Clean Energy Regulator, accessed 12 May 2026, https://www.cleanenergyregulator.gov.au/OSR/REC/STC-clearing-house.

[77] The regulatory period adjustment accounts for retail operating margin, network line losses and GST.

We kept our approach to the Victorian Energy Upgrades program costs

The Victorian Energy Upgrades program is a key mechanism for reducing Victoria's greenhouse gas emissions. The program helps Victorians reduce their energy bills and greenhouse gas emissions by providing access to discounted energy efficient product and services.[78]

Under the program, accredited persons install energy efficient products or perform energy efficiency upgrades for customers. Accredited persons that perform these energy efficient upgrades can create Victorian Energy Efficiency Certificates (VEECs).

Electricity retailers must buy and surrender VEECs to meet annual targets set in Victorian legislation.

Calculating Victorian Energy Upgrades program costs

We kept our approach to calculate the cost of the Victorian Energy Upgrades Program. We multiplied the volume-weighted average certificate price of $88.59 (excluding GST) by 9.71 per cent.

We used the most recent trade-weighted average prices for VEECs, and as a result differs from our draft decision.

Final decision: Victorian Energy Upgrades program costs

Our final decision regarding the cost of complying with the Victorian Energy Upgrades program is $8.60 per megawatt hour. This is a decrease of $7.55 per megawatt hour compared to our 2025–26 Victorian Default Offer.

We no longer account for the social cost of carbon component of the minimum feed-in tariff

The commission is no longer required to determine minimum feed-in tariffs.[79] From 1 July 2025, the avoided social cost of carbon is not accounted for in the Victorian Default Offer.

Environmental costs are lower compared to 2025–26

A representative average domestic Victorian Default Offer customer will pay $62 per year in environmental costs out of a total annual bill of $1,591 in 2026–27. This is $52 lower compared to the amount included in the 2025–26 Victorian Default Offer cost stack. This change is due to

[78] Essential Services Commission, 'About the Victorian Energy Upgrades program', https://www.esc.vic.gov.au/victorian-energy-upgrades/about-victorian-energy-upgrades-program, accessed 12 May 2026.

[79] *Energy and Land Legislation Amendment (Energy Safety) Act 2025*, s97B.

decreased cost for retailers under the Australian Government and Victorian Government environmental programs.

Retail operating costs

- We continue to set the retail operating cost benchmark using the customer-weighted average of retailers' actual retail operating costs, adjusted for inflation. This approach was first adopted for our 2023–24 Victorian Default Offer decision and is retained.
- Under the 2026–27 Victorian Default Offer, retail operating costs represent about $150 (or nine per cent) of a representative annual flat tariff bill for domestic customers (averaged across the five distribution zones and based on 4,000 kWh annual consumption).
- For domestic customers, retail operating costs are about two per cent higher (on average), compared to the 2025–26 Victorian Default Offer.

Our obligation under the pricing order

The pricing order requires that we must have regard to **retail operating costs** in estimating the efficient costs of the sale of electricity by a retailer.[80]

Retail operating costs are a range of costs that retailers incur to run their businesses and service customers.

Retail operating costs comprise:

- cost to serve, including:
  - billing and revenue collection systems
  - related labour costs
  - information technology systems
  - call centre costs
  - corporate overheads
  - other costs (general and administrative, and other miscellaneous costs related to cost to serve)[81]

[80] Clause 12(4)(d) of the pricing order.

[81] The 'other costs' category only includes costs associated with retail operation. Cost items such as market fees and licence fees are separately accounted for in the cost stack.

- bad and doubtful debt write-offs.

We maintained our approach to benchmarking retail operating costs

We set a single retail operating cost benchmark across domestic and small business customers using the customer-weighted average of retailers' actual retail operating costs for Victoria, adjusted for the difference in the Consumer Pricing Index (CPI).[82]

For 2026–27 Victorian Default Offer, we collected cost data for the most recent financial year (2024–25) from 19 electricity retailers, using information gathering notices issued under section 36 of the *Essential Services Commission Act 2001*. These retailers and their costs reflect the sale of electricity to 98 per cent of Victoria's domestic and small business electricity market.

We analysed the data, identified outliers, and excluded costs that are not reflective of an efficient retailer. We also followed up with retailers to better understand the underlying cost drivers and emerging trends across the sector. Consistent with our previous approach, to improve transparency, accuracy and avoid double counting, we sought clarification on cost items where multiple costs are combined under aggregated categories (for example, 'Other costs') to ensure all relevant cost items are appropriately classified.

Our benchmark for retail operating costs per customer in 2024–25 is $145 excluding GST and before CPI adjustment.[83] Consistent with the approach taken in previous reviews, we adjusted the 2024–25 benchmark to account for the change in the CPI from June 2025 to March 2026, which is 3.32 per cent. Once adjusted for CPI, the retail operating cost benchmark for 2026–27 is $150 excluding GST.[84]

We acknowledge that individual retailers may incur operating costs that differ from our benchmark. However, we are not required to set the benchmark based on actual costs for each individual retailer, or industry segments. We consider that the costs faced by an efficient retailer is best represented by a customer-weighted average approach.[85]

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[82] The CPI base year has been updated this year to align with the latest base adopted by the Australian Bureau of Statistics (ABS). However, CPI indexation has been applied using quarterly CPI data, consistent with our previous approach.

[83] Essential Services Commission internal calculation based on retailers' actual reported costs for FY 2024–25.

[84] We applied the CPI from June 2025 (98.43) to 31 March 2026 (101.70). Australian Bureau of Statistics, *Table 17, CPI: Quarterly All Groups, Index Numbers and Percentage Change: ID A2325846C 31 March 2026*, 29 April 2026, accessed 29 April 2026; The CPI base year has been updated this year to align with the latest base adopted by the Australian Bureau of Statistics (ABS). However, CPI indexation has been applied using quarterly CPI data, consistent with our previous approach.

[85] Clause 12(8) of the pricing order.

We considered submissions on retail operating costs

In response to our draft decision, we received three submissions on our approach to setting retail operating costs: two from electricity retailers and one from the Australian Energy Council (AEC).

The AEC and Origin Energy supported our consistent approach to estimating retail operating costs. Origin Energy considers a weighted average approach incentivises all retailers to pursue efficiency.[86] Despite acknowledging the consistency and stability of our methodology, the AEC said that our approach lacks sufficient transparency for them to assess whether it fully reflects efficient costs. (Noting the underlying data we use, excluding outliers and any efficiency adjustment.) It also considers the benchmark materially risks understating the efficient costs for 2026–27, since it is based on 2024–25 costs plus only one year's worth of inflation, rather than two. The AEC notes this risk in the context of a rising inflation environment.[87]

Though the AEC raised concerns about transparency and the lag in benchmark data, we consider the current approach remains appropriate. We are unable to publish all underlying data due to the market sensitive nature of the information, particularly adjustments for individual cost items and retailers. Figure 7 displays the range of costs across various sized retailers as reported to us since 2022. Table 5 also provides more details on the main drivers of changes in the benchmark and their movement from 2025–26 to 2026–27.

We acknowledge using actual CPI instead of forecast CPI may create a one-year lag. However, using forecasts may require a true-up adjustment as inflation forecasts can be inaccurate. This would add unnecessary complexity and undermine the objective of keeping the default offer simple and easy to understand. In addition, any cost increases due to inflation are reflected in subsequent determinations. We use actual CPI data published by the Australian Bureau of Statistics which ensures a consistent, transparent and practical approach that avoids overstating costs. We also apply CPI to other areas of the default offer cost stack, so we are conscious of using a consistent approach to inflation.

AGL Energy raised two points of concern which it believes may affect retail operating costs in 2026–27, namely reforms to merchant card payment fees and implementing the Victorian Midday Power Saver.[88]

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[86] Submission to the Essential Services Commission, *Victorian Default Offer 2026–27: Draft Decision Paper*, April 2026, Origin Energy, p. 3.

[87] Submission to Essential Services Commission, *Victorian Default Offer 2026–27: Draft Decision Paper*, April 2026, Australian Energy Council, pp. 3–4.

[88] Submission to Essential Services Commission, *Victorian Default Offer 2026–27: Draft Decision Paper*, April 2026, AGL Energy, pp. 3–4.

Merchant card payment fees

AGL Energy raised the recent Reserve Bank of Australia reforms to merchant card payment fees may disrupt existing cost-recovery mechanisms, requiring retailers to absorb or reallocate card payment costs within their pricing and operational structures, with some costs potentially flowing through to customers. AGL Energy noted that compliance with the reforms will require updates to billing, customer communication, and internal processes. This may create additional regulatory and implementation costs that it considers should be recognised within the Victorian Default Offer framework.

Implementing the Victorian Midday Power Saver

AGL Energy highlighted that retailers may face material system, communication, and operational changes in implementing the Victorian Midday Power Saver. This would require dedicated resourcing and incur material one-off implementation costs which are not reflected in the Victorian Default Offer.[89]

Our response to submissions

While some businesses may face one-off implementation and system update costs, lowering interchange fees will lower business costs and removing surcharges will put downward pressure on card payments costs by improving transparency and competition.[90] This may benefit retailers in the long run. We consider the transitional impacts are outweighed by the reforms' longer-term overall benefits.

For both the merchant fee reforms and the Victorian Midday Power Saver, the extent and timing of any impacts are currently uncertain and were not substantiated in AGL Energy's submission. The retail operating costs benchmark in the Victorian Default Offer is based on the reported and observed efficient costs actually incurred across the sector, rather than uncertain future costs. It intends to reflect efficient costs across the industry, rather than individual business costs or circumstances. This supports a transparent and evidence-based benchmark and avoids including forecast costs that may not eventuate or could vary in materiality across retailers.

Consistent with our retail operating cost approach if any sector wide transitional cost is found to be material, it will appear in future years' actual cost data, and we will examine it then and consider if it forms part of the efficient cost stack.

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[89] Submission to Essential Services Commission, *Victorian Default Offer 2026–27: Draft Decision Paper*, April 2026, AGL Energy, pp. 3–4.

[90] Reserve Bank of Australia (RBA), *Review of Merchant Card Payment Costs and Surcharging – Conclusions Paper*, March 2026, pp. 12–14.

Retail operating cost comparisons across retailers

Table 5 shows the weighted average retail operating cost components over the last two completed financial years and Victorian Default Offer benchmarks. These estimates are based on actual retail operating cost data collected from retailers for the financial years 2023–24 and 2024–25. Labour and IT system costs in 2024–25 had the largest increase, offset by a reduction in billing system expenses and other retail costs when compared to 2023–24.

Table 5: Breakdown of retail operating costs (not CPI adjusted and excluding GST)

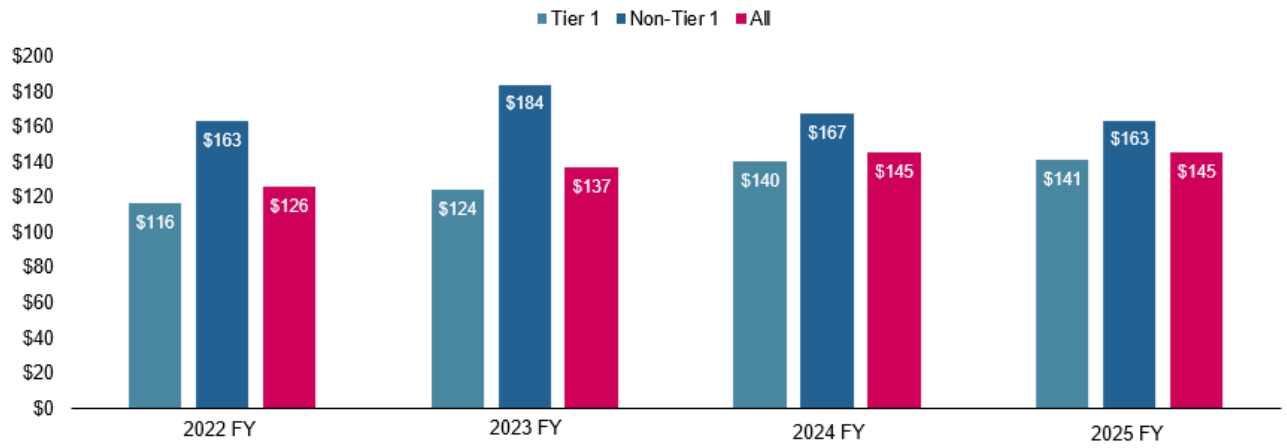
	2023–24 FY costs (2025–26 VDO)	2024–25 FY costs (2026–27 VDO)
Labour cost	$37	$41
Customer service (including call centres and support)	$14	$14
Debt collection	$6	$5
Billing functions	$10	$8
IT systems	$14	$17
Other cost to serve	$17	$13
Other retail costs	$14	$13
Bad debt costs	$34	$35
Retail operating costs (total)	**$145**	**$145**

Source: Essential Services Commission analysis based on data collected from a sample of Victorian retail electricity businesses on serving domestic and small business customers only. Values in the table may not sum to the exact total due to rounding.

We reviewed the retail operating cost components across all retailers in our sample. Figure 7 shows the weighted average retail operating costs for Tier 1 retailers, non-Tier 1 retailers, and the full sample of retailers, before adjusting for difference in CPI.[91]

[91] Tier 1 retailers: retailers with greater than five per cent market share; non-Tier 1 retailers: retailers with less than five per cent market share.

Figure 7: Weighted average retail operating cost per customer across all retailers ($ nominal)

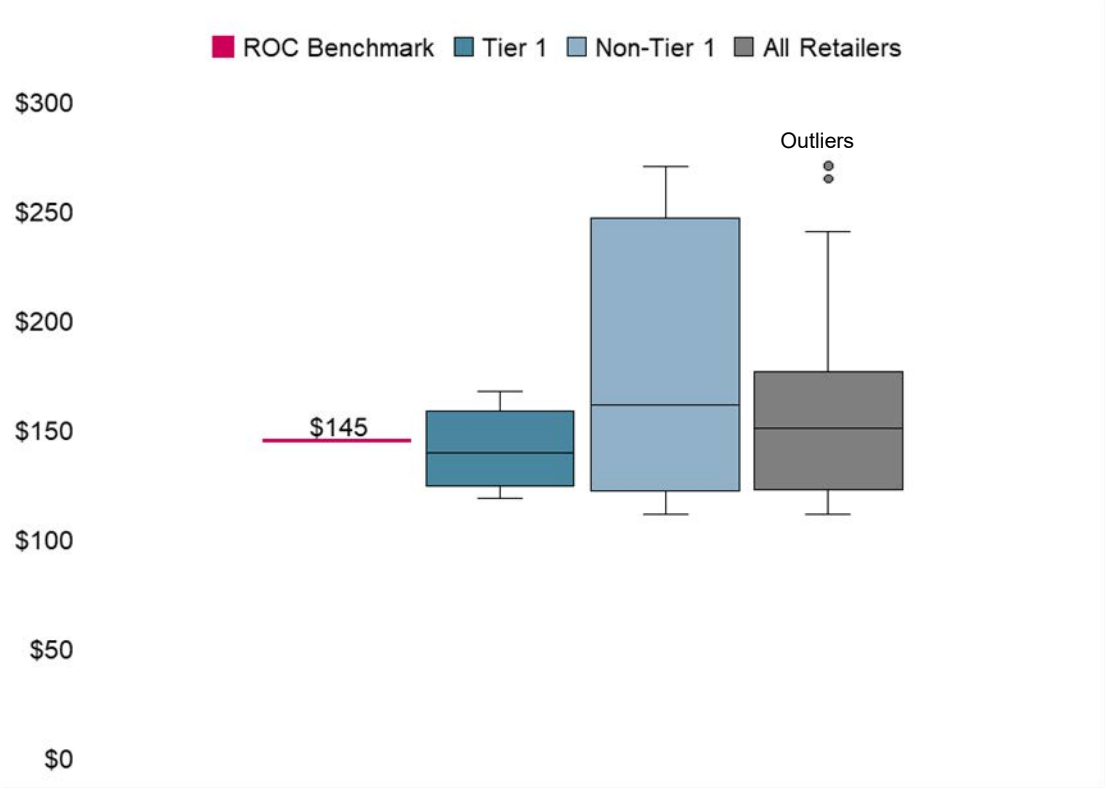


Tier 1 (retailers having more than 5 per cent of market share are AGL Energy, Origin Energy, EnergyAustralia, ENGIE, Red Energy and Lumo Energy), Non-Tier 1 and all retailers (excluding GST and before adjusting to CPI).

Tier 1 retailers saw a slight rise in bad debt cost in 2024–25 compared to 2023–24. Non-Tier 1 retailers had a modest decrease in overhead and other retail costs, and their bad debt costs remained stable.

Figure 8 shows the range of retail operating costs (cost to serve, bad debt costs and other retail costs) reported by retailers compared to our benchmark, before adjusting for CPI inflation. Excluding two outlier retailers' costs, half of the retailers in our sample had retail operating costs at or below our benchmark. While reported costs are dispersed across retailers — likely reflecting differences in operating models, scale and customer mix — the benchmark cost is consistent with the median of reported costs.

Figure 8: Range of retail operating costs across Victorian retailers



Categorisation note: Tier 1 (retailers have more than 5 per cent of market share; AGL Energy, Origin Energy, EnergyAustralia, ENGIE, Red Energy and Lumo Energy), Non-Tier 1 and all retailers (before adjusting by CPI).

Modest customer acquisition and retention costs

- Under the 2026–27 Victorian Default Offer, modest customer and acquisition and retention costs represent about $48 (or three per cent) of a representative annual flat tariff bill for domestic customers (averaged across the five distribution zones and based on 4,000 kWh annual consumption).
- For domestic customers, modest customer and acquisition and retention costs are about four per cent higher (on average), compared to the 2025–26 Victorian Default Offer. This is primarily due to inflation.
- We kept the same approach used in past reviews in estimating modest customer acquisition and retention costs (acquisition costs).

Our obligation under the pricing order

The pricing order requires that in having regard to retail operating costs in estimating the efficient costs of electricity retailers, we include a **modest allowance for customer acquisition and retention** (acquisition costs).[92]

> Acquisition costs are the costs retailers incur to acquire and keep customers.

Acquisition costs include the:

- cost of customer acquisition channels (such as third-party comparison websites or sign-up bonuses/credits)
- cost of customer retention teams
- marketing costs targeted at driving customer acquisition and retention.

We kept our approach in estimating modest acquisition costs

We used an acquisition cost benchmark based on the average National Electricity Market-wide acquisition costs from the Australian Competition and Consumer Commission's (ACCC) retail electricity pricing inquiry report.[93] We selected average costs from 2013–14 on the basis that it was the most robust data available prior to large increases in spending on acquisition costs observed across most jurisdictions.

Final decision: benchmark for acquisition costs

We update our acquisition cost benchmark for inflation during each Victorian Default Offer review.[94] In adjusting for inflation, we are maintaining the value of our benchmark in real terms over time. This approach resulted in a modest benchmark for acquisition costs of $48.5 (excluding GST), which is slightly higher than the benchmark of $46.6 for the 2025–26 Victorian Default Offer due to inflation.

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[92] Clause 12(4)(d) and Clause 12(6) of the pricing order.

[93] Australian Competition and Consumer Commission, *Retail electricity pricing inquiry*, final report July 2018, p. 222.

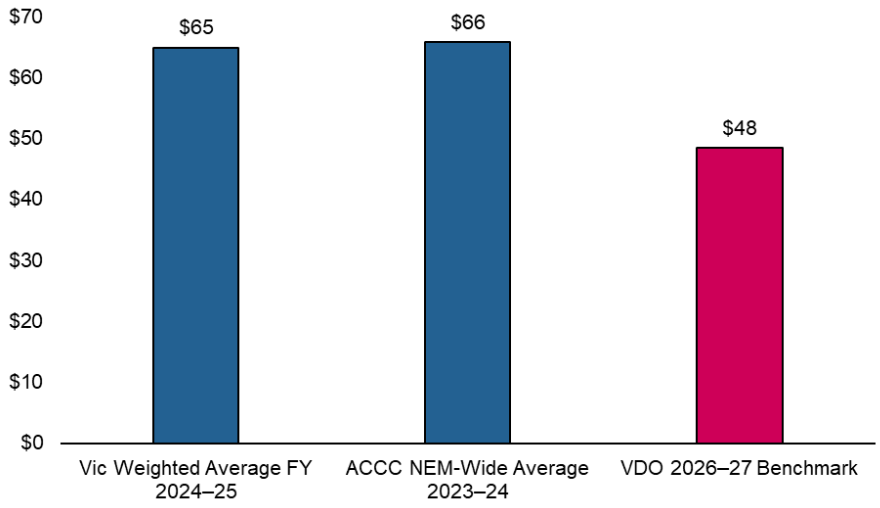
[94] We applied the CPI from June 2019 (79.70) to 31 March 2026 (101.70). Australian Bureau of Statistics, *Table 17, CPI: Quarterly All Groups, Index Numbers and Percentage Change: ID A2325846C 31 March 2026*, 29 April 2026, accessed 29 April 2026; The CPI base year has been updated this year to align with the latest base adopted by the Australian Bureau of Statistics (ABS). However, CPI indexation has been applied using quarterly CPI data, consistent with our previous approach.

Our final acquisition benchmark is below the national average

Our acquisition benchmark for the 2026–27 Victorian Default Offer is about 25 per cent below the weighted average acquisition costs reported by Victorian retailers.[95] It is 26 per cent below the national average for domestic customers as reported by the ACCC in 2024.[96] This indicates that our acquisition benchmark is modest, which aligns with our requirements under the pricing order.[97]

Figure 9 compares our acquisition benchmark with the national average for domestic consumers (as reported by the ACCC) and the weighted average acquisition costs reported by Victorian retailers.

Figure 9: Comparison of Victorian Default Offer benchmark acquisition costs (adjusted to March 2026 CPI)



We have considered submissions on acquisition costs

We received one submission on acquisition costs from Origin Energy.[98] Origin Energy does not support our current 'modest' acquisition cost benchmark methodology and states that the acquisition cost benchmark should better reflect actual market costs. Origin Energy argued that the current approach risks under-recovering rising costs in areas such as customer engagement, digital platforms, marketing, compliance and regulatory obligations. It is concerned that an

[95] Based on our internal analysis of retailers submitted financial information for FY 2024–25, adjusted for CPI differences to March 2026.

[96] Australian Competition and Consumer Commission, *Inquiry into the National Electricity Market report,* December 2024, Appendix C, figure C11.20, accessed 19 February 2026, adjusted by CPI difference to March 2026.

[97] Clause 12(4)(d) and Clause 12(6) of the pricing order.

[98] Submission to the Essential Services Commission, *Victorian Default Offer 2026–27: Draft Decision Paper*, April 2026, Origin Energy, p. 6.

insufficient acquisition cost allowance may weaken retail competition and reduce incentives for innovation.

We recognise that retailers may be facing rising costs for customer engagement, digital capability and compliance obligations. However, the pricing order requires us to include a **modest** allowance for customer acquisition and retention costs.[99] This reflects the policy intent that the customers on standing offers and in embedded networks do not benefit from retail marketing in the same way as engaged customers who are on a market offer.

Calculating a 'modest' allowance for acquisition costs

In establishing our approach for a modest allowance for acquisition cost, we note a review of the Victorian Default Offer pricing order found our interpretation of the term 'modest' appears to balance stakeholder interests.[100]

The modest allowance is based on the National Electricity Market (NEM) wide average expenditure for 2013–14 (adjusted for inflation) as it remains the best available reference point for benchmarking. It was measured prior to full retail price deregulation in South Australia (2013), New South Wales (2014) and Southeast Queensland (2017) and therefore are less affected by the significant increases in acquisition expenditure observed across the NEM in more recent years.[101]

The increase in NEM-wide expenditure per customer suggests that retailers across jurisdictions have expanded acquisition spending following price deregulation. Also, Victoria has historically recorded the highest switching rates and acquisition costs.[102] ACCC reporting indicates that retailers increased spending on acquisition and retention costs in 2023–24, with Non-Tier 1 retailers substantially increasing advertising and marketing expenditure.[103]

Standing offer customers may not receive the benefit of this additional expenditure on marketing. However, the pricing order requires us to have regard to modest acquisition costs. The Victorian Default Offer has a role as reference price. In the case of acquisition costs, it reflects the cost of

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[99] Clause 12(4)(d) and Clause 12(6) of the pricing order.

[100] Department of Environment, Land, Water and Planning 2022, Review of the Victorian Default Offer Order in Council Final decision, pp. 26-27.

[101] Australian Competition and Consumer Commission, *Retail Electricity Pricing Inquiry – preliminary report*, September 2017, Figure 3.8, p. 96.

[102] Australian Competition and Consumer Commission, *Inquiry into the National Electricity Market report,* December 2024, Appendix C, figure C11.20, accessed 19 February 2026; Frontier Economics, *Retail Costs and Margin*, April 2019, Figure 10: Summary of most relevant CARC benchmarks, p. 16.

[103] Australian Competition and Consumer Commission, *Inquiry into the National Electricity Market report,* December 2024, p. 80.

acquiring market customers rather than disengaged customers. Therefore, the commission considers a modest allowance appropriately balances the views of all interested parties.

Our final decision is to not change our approach in establishing a modest customer acquisition cost.

Other costs

- Under the 2026–27 Victorian Default Offer, other costs represent about $18 (or one per cent) of a representative annual flat tariff bill (averaged across the five distribution zones and based on 4,000 kWh annual consumption).
- For domestic customers, other costs are about 13 per cent lower (on average), compared to the 2025–26 Victorian Default Offer. This is primarily due to decreases in market intervention costs, and National Electricity Market Participant fees.
- We have reflected the 2026–27 structure of National Electricity Market Participant fees as well as accounted for National Electricity Market Participant fees recoverable from customer exports.

Our obligation under the pricing order

The pricing order gives us discretion to have regard to any **other costs** considered appropriate or relevant in our estimation of the efficient costs of the sale of electricity by a retailer.[104] For the purposes of cost considerations, the commission is expressly prohibited from considering headroom.[105]

Other costs are the costs that retailers incur when they are specific and discrete to their obligations and requirements to operate as an electricity retailer.

Other costs include:

- market intervention costs
- National Electricity Market (NEM) Participant fees
- ancillary services fees
- Reliability and Emergency Reserve Trader costs

[104] Clause 12(4)(f) of the pricing order.

[105] Clause 12(10) of the pricing order. Headroom means an allowance that does not reflect an efficient cost borne by firms operating in the market; Example: An allowance that is added, so that retail prices do not act as a barrier to new entrants, is headroom.

- Essential Services Commission licence fees.

Other costs comprise both fixed costs (per customer) and variable costs (per megawatt hour).

Final decision: other costs

Our final decision is to pass-through retailers' other costs. These costs are generally minor in relation to the total Victorian Default Offer cost stack (one per cent) but are part of a retailer's efficient costs in selling electricity.

Market intervention costs

Market intervention costs arise when the Australian Energy Market Operator (market operator):

- either suspends the NEM or
- directs a generator, load, or other market participant to take specific action to maintain power system security or reliability, or for reasons of public safety.

These are referred to as market suspension events or market direction events.

Our decision does not include any market suspension event costs

There are no market suspension events for our final decision that result in costs recovered from Victorians. However, the market operator has advised of a market suspension event not yet confirmed for cost recovery.[106] Should this event impose costs on Victorians, we will consider it in future Victorian Default Offer price determinations.

Our decision includes three market direction events from 2024

Last year, the market operator advised of six events which occurred in 2024 that may result in costs being recovered from Victorians. Of the six events, three were accounted for in our 2025–26 Victorian Default Offer final decision. The market operator has now confirmed the costs for the three remaining events, which we have included in our final decision.

The first event was on 24 October 2024, where a planned outage of the Moorabool-Sydenham No.1 500 kV line required eight Latrobe Valley units to be online for system strength. Following that, there was an outage of Yallourn W1, and the market operator directed Murray2 to operate as a synchronous condenser to maintain system strength.

[106] Advised by the Australian Energy Market Operator via email on 16 April 2026, the market suspension event for New South Wales on 23 March 2026 may result in costs recovered from Victorians. Preliminary report can be found here: AEMO, Preliminary Report – New South Wales Market Suspension on 23 March 2026, 1 April 2026, accessed 6 May 2026.

The second and third events on the 14 and 15 of November 2024 were similar, where there was a planned outage of the Moorabool-Sydenham No.2 500 kV line. Loy Yang A2 then had an unplanned outage, which resulted in only six Latrobe Valley units online. The market operator directed Jeeralang B to operate as a synchronous condenser, resulting in approximately 2,005 megawatt hours of synchronous generation being directed into the market for system security.[107]

The market operator has also advised of two direction events not yet confirmed for cost recovery.[108] Our final decision does not include these costs. Should these events impose a cost on Victorian retailers and once finalised, we may consider them in future Victorian Default Offer price determinations.

Final decision: market intervention event costs

This results in a cost to an average domestic Victorian Default Offer customer of $0.12 in 2026–27. This is a decrease of $0.16 from the 2025–26 Victorian Default Offer, reflecting the lower costs incurred because of fewer market intervention events affecting Victorians.

Reliability and Emergency Reserve Trader scheme costs

The Reliability and Emergency Reserve Trader scheme is a mechanism that the market operator can use to maintain power system reliability and system security using reserve contracts. The market operator publishes reports detailing when its reliability and emergency trader functions have been activated.[109]

Since our final decision on the 2025–26 Victorian Default Offer, the market operator has confirmed that no Interim Reliability Reserves were contracted for the Victorian region.[110]

National Electricity Market Participant fees

The market operator charges retailers NEM Participant fees to retailers to recover the costs of market operation.[111] These fees include:

- NEM core fee

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[107] AEMO, *NEM Event Directions Report 24 October 2024 & 14/15 November 2024*, July 2025, pp. 5 and 7, accessed 16 April 2026.

[108] Advised by the Australian Energy Market Operator via email on 16 April 2026, two market direction events are still pending finalisation of cost recovery. Information on the 15 October 2025 direction event can be found here: Independent Expert Report - Directions to Victorian generators during billing week 42 2025, accessed 6 May 2026.

[109] Australian Energy Market Operator, RERT reporting, accessed 16 April 2026.

[110] Confirmed via email with the Australian Energy Market Operator on 7 April 2026.

[111] Energy market fees and charges, Australian Energy Market Operator, https://www.aemo.com.au/about/corporate-governance/energy-market-fees-and-charges, accessed 16 April 2026.

- NEM reform fee
- IT and 5MS/GC compliance costs
- Energy Consumers Australia fees
- Electricity Retail Market fee (formally the Full Retail Contestability operations fee)
- Cyber security and resilience fee.

These are unavoidable costs incurred by electricity retailers when selling electricity.

Our final decision relied on fees provided by the market operator, based on its draft 2026–27 budget and fees report released on 30 March 2026.[112]

We will pass through the changes to NEM Participant fees

In February 2026, the market operator released its Final Determination for the NEM Participant fee structures to apply from 1 July 2026.[113] Its NEM Participant fee structure review resulted in the following changes:

- consolidation of unallocated and allocated general NEM fees into one fee (NEM core fee)
- consolidation of distributed energy resources integration program fees and NEM 2025 Reform Program fees into one fee (NEM reform fee)
- variable NEM fees are to be calculated on a gross charging basis rather than a net charging basis.

We have also passed through the new cyber security and resilience fee, introduced in the market operator's final 2025–26 budget and fees report. We received one submission from the Australian Energy Council in support of reflecting the changes to NEM Participant fees, as the fees are unavoidable costs and while individually small are increasing in number and complexity.[114]

We have reflected a 'NEM Participant export fee' to account for the structural shift to a gross charging approach for variable NEM Participant fees

From 1 July 2026, all variable NEM Participant fees will be calculated on a gross charging basis rather than a net charging basis.[115] Previously, these fees were levied on imported energy volumes minus exported energy volumes. Under the new approach, the market operator will apply variable

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[112] Australian Energy Market Operator, FY 27 Draft Budget and Fees Report, 30 March 2026, accessed 1 April 2026.

[113] Australian Energy Market Operator, NEM Participant fee structure review, 12 February 2026, accessed 17 April 2026.

[114] Submission to the Essential Services Commission, *2026–27 Victorian Default Offer: Draft Decision Paper*, April 2026: Australian Energy Council, p. 4.

[115] Australian Energy Market Operator, NEM Participant fee structure review, 12 February 2026, p. 9, accessed 27 April 2026.

NEM Participant fees to both import and export energy volumes, effectively expanding the total volume on which charges are calculated.

As the Victorian Default Offer is levied on imported energy volumes only, taking the variable NEM Participant fees as given would marginally understate the costs retailers are paying on exported energy volumes. To account for this, we have calculated a variable 'NEM Participant export fee.'

This fee is calculated by multiplying the variable NEM Participant fees by the total exported energy volumes across Distribution Network Service Providers (distribution providers) and then dividing the result by the total imported energy volumes across all distribution providers.[116]

Our calculated variable NEM Participant export fee is approximately $0.04 per megawatt hour, which results in an annual cost to an average domestic Victorian Default Offer customer of $0.16 in 2026–27.

Final decision: NEM Participant fees

The total cost for NEM Participant fees for the average domestic Victorian Default Offer customer is $15.36. This a decrease of $0.77 from $16.13 in the 2025–26 Victorian Default Offer. The decrease in fees can be attributed to the change in fee structure and cost allocation methodology.[117]

Ancillary service fees

Ancillary services are provided by the market operator to manage the power system safely, securely, and reliably, for frequency, voltage, and system restart processes.[118] Ancillary services are provided separately for each market region in which the market operator operates. Unlike other market operator charges, ancillary service fees differ across regions and therefore are not included in the standard NEM Participant fees.

Applicable ancillary service fees depend on the amount of service required and the market price of those services, which means the costs will vary from period to period.

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[116] Export volumes are taken from Victorian small customers' 5-minute metered data as provided to us from the market operator. Data is current at read date 30 January 2026 subject to change and amendment.

[117] Australian Energy Market Operator, FY 27 Draft Budget and Fees Report, 30 March 2026, p. 12, accessed 21 April 2026.

[118] Ancillary Services Payments and Recovery, AEMO, accessed 20 April 2026, https://aemo.com.au/energy-systems/electricity/national-electricity-market-nem/data-nem/ancillary-services-data/ancillary-services-payments-and-recovery.

We used the latest and updated ancillary service recovery report

We estimate Victorian ancillary service fees based on an average of ancillary service fee payments in Victoria over the 52-week period to 11 April 2026.

To reflect a recent rule change, the market operator has updated the data in its ancillary service fee report. This change means the market operator can no longer produce an equivalent of the data used historically ('Recovery Rate Customer') and can only provide updated data ('Recovery Rate Adjusted Consumed Energy').

We used the updated data to inform our ancillary service fee estimate. In response to our draft decision, we received a submission from the Australian Energy Council in support of using the updated ancillary service data.[119]

Final decision: ancillary service fees

Our final decision results in an average ancillary service fee of $0.13 per megawatt hour for the average Victorian Default Offer customer. This is a decrease of $0.02 per megawatt hour from the 2025–26 Victorian Default Offer determination.

Essential Services Commission licence fees

Holding an electricity licence incurs an annual licence fee. Licence fees and charges are determined by the Minister for Energy and Resources and Climate Action in consultation with the minister administering the *Essential Services Commission Act*.[120] Commission licence fees are based on the costs we incur in performing our regulatory functions. The specific fee for each retailer is contingent on the number of customers served by that retailer.

Final decision: Essential Services Commission licence fees

To estimate the cost of licence fees per customer for the 2026–27 Victorian Default Offer we used a market-wide total of all retailer licence fees for 2025–26, adjusted for inflation, divided by the total number of customers as of 30 June 2025. The latest approved licence fees are for 2025–26. When adjusted by inflation this results in a benchmark of $2.14 per customer per year for our 2026–27 final decision.

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[119] Submission to the Essential Services Commission, *2026–27 Victorian Default Offer: Draft Decision Paper*, April 2026: Australian Energy Council, p. 4.

[120] Section 22 of the *Electricity Industry Act 2000.*

This estimate is an increase of $0.01 per customer from $2.13 in our 2025–26 Victorian Default Offer determination, due to using more recent licence fees, customer numbers and updated inflation.

Network loss factor

Our obligation under the pricing order

The pricing order requires the commission to consider any **matter or thing** that we consider appropriate or relevant in our estimation of the efficient cost of the sale of electricity by a retailer (except for headroom).[121]

Network loss factor covers the costs that retailers incur when electricity is lost.

Some electricity is lost when it is transported across the transmission and distribution networks. Electricity losses occur because of electrical resistance in the wires, converting some electricity to heat and noise. As a result, generators produce more electricity than the amount end users consume.

The Australian Energy Market Operator (market operator) reports these losses, and we account for them by applying a network loss factor to variable cost components of the Victorian Default Offer.

Our final decision is to estimate the network loss factor by calculating and adding the relevant marginal loss factor (energy losses for electricity transmitted on a transmission network) and distribution loss factor (energy losses for electricity transmitted on a distribution network). This is the same approach we used in the 2025–26 Victorian Default Offer

Final decision: network loss factor

To calculate the distribution loss factors, we used:

- the market operator's short sub-transmission factor for the CitiPower, Jemena, and United Energy distribution zones
- the load-weighted average of the short and long sub-transmission factors for the Powercor and AusNet zones.[122]

[121] Clause 12(4)(f) of the pricing order.

[122] Australian Energy Market Operator, *Distribution Loss Factors for the 2026–27 Financial Year*, 31 March 2026, accessed 12 May 2026.

To calculate the marginal loss factors, we used a simple average of the market operator's regional reference node factor for each of the five Victorian distribution zones, removing transmission nodes that did not have any domestic or small business load.[123]

Retail operating margin

- We kept the retail operating margin at five per cent of the total cost stack (including the margin and before GST).
- We continue to use a regulatory benchmark approach in setting an appropriate margin, while also having regard to other data and evidence. This includes the appropriate range from the expected returns approach, market offer prices relative to default offer prices, retailers' actual margins, and interested parties' comments in submissions.
- Under the 2026–27 Victorian Default Offer, the retail operating margin represents about $72 (or five per cent) of a representative annual flat tariff bill for domestic customers (averaged across the five distribution zones and based on 4,000 kWh annual consumption).
- For domestic customers, the dollar value of the retail operating margin is about five per cent lower (on average) compared to the 2025–26 Victorian Default Offer, because of the decrease in this year's cost stack.

Our obligation under the pricing order

Under the pricing order, we are required to have regard to the **retail operating margin** when making a Victorian Default Offer pricing determination.[124]

The retail operating margin is the return a retailer needs to attract capital in providing retail services.[125]

The retail operating margin covers:

- systematic risk (non-diversifiable)
- tax

[123] Australian Energy Market Operator, *Marginal Loss Factors for the 2026–27 Financial Year*, 1 April 2026, pp. 29–30.

[124] Clause 12(4)(e) of the pricing order.

[125] Australian Energy Market Commission, *Advice on Best Practice Retail Price Regulation Methodology*, September 2013, p. 64.

- depreciation and amortisation.[126]

We are not required to base the retail operating margin on retailers' actual operating margins.[127] Under the pricing order, risks accounted for in other components of the Victorian Default Offer cost stack (such as wholesale electricity market risk) must not be included in the retail operating margin.[128]

We kept the retail operating margin at five per cent

We have maintained our approach in determining a maximum retail operating margin.[129] Our final decision is to maintain a retail operating margin of five per cent of the total cost stack (including the margin and before GST).

In determining that five per cent is an appropriate margin we considered the following factors:

- margins set by other Australian regulators
- appropriate range derived from the expected returns approach
- market offer price level and retailers' actual margins
- interested parties' feedback from submissions.

Most jurisdictions maintained their approaches while the Australian Energy Regulator lowered the margin for small businesses

We considered the latest information on regulated retail margins adopted in other Australian jurisdictions that set regulated electricity prices. Most jurisdictions did not propose any change to their methodology. The Australian Energy Regulator lowered the margin for small businesses from 11 per cent to six per cent in its draft determination on the Default Market Offer for 2026–27.

Table 6 summarises other regulators' latest decisions or proposals on regulated retail margins, together with the Victorian Default Offer. We refer to peer regulatory decisions as benchmark points.

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[126] We follow the approach of measuring retail operating margin by earnings before interest, tax, depreciation and amortisation (EBITDA). Frontier Economics' report to the commission on retail costs and margin explained that retail operating margin uses the earnings before depreciation and amortisation, in addition to earnings before interest and tax. This was because the retail operating cost allowance does not include depreciation and amortisation costs. Frontier Economics, *Report for the Essential Services Commission: Retail costs and margin*, April 2019, p. 18.

[127] Clause 12(9) of the pricing order.

[128] Clause 12(7) of the pricing order.

[129] Clause 12(7) of the pricing order.

Table 6: Comparison of regulated retail margins in Australia

Regulatory decision	Approach	2025–26	2026–27 (latest decision)
Australian Energy Regulator	Expected returns + regulatory benchmarking	6% for domestic customers, 11% for small business customers	6% for both domestic and small business customers[130]
Independent Competition and Regulatory Commission	Expected returns + regulatory benchmarking	Effective margin of 5.2%, split into $8.28/MWh for fixed costs and 2.75% on variable costs, excluding the margin[131]	No change to approach[132]
Office of the Tasmanian Economic Regulator	Expected returns + regulatory benchmarking	Half is based on variable rate 5.25% of approved 2025–26 costs, half is fixed $118 per customer[133]	No change to approach[134]
Queensland Competition Authority	Estimates an overall allowance that blends retail costs and margin	We cross-checked AER's retail costs for Southeast Queensland and found them not comparable	No change to approach No comparable regulated margin to benchmark against[135]
Essential Services Commission	Expected returns + regulatory benchmarking	5% for small customers	No change to approach

Source: Published reports for each jurisdiction. See footnotes in table.

[130] Australian Energy Regulator, *Default Market Offer 2026–27: Draft Determination*, 19 March 2026, pp. 100–101, accessed 21 April 2026.

[131] Independent Competition and Regulatory Commission, *Retail electricity price recalibration 2025–26*, 26 May 2026, p. 24, accessed 21 April 2026.

[132] Independent Competition and Regulatory Commission, *Final Report: Retail Electricity Price Investigation 2024–27*, 23 May 2024, pp. 45–48, accessed 21 April 2026.

[133] Aurora Energy, *2025 Determination Pricing Proposal Period 1*, 30 May 2025, p. 7. Office of the Tasmanian Economic Regulator *approved this pricing proposal* on 20 June 2025. Accessed 21 April 2026.

[134] Office of the Tasmanian Economic Regulator, 2025 Regulated Retail Electricity Pricing Investigation: *Final Report*, 12 May 2025, p. 56, accessed 21 April 2026.

[135] Queensland Competition Authority, *Regulated retail electricity prices in regional Queensland for 2026–27: Draft determination*, 27 March 2026, pp. 37–41, accessed 21 April 2026.

The most recent decisions of the Independent Competition and Regulatory Commission and Office of the Tasmanian Economic Regulator followed the methods they decided in 2024 and 2025 and kept the effective margin rate at 5.2 per cent and 5.25 per cent respectively. The Australian Energy Regulator kept the form of retail margin and the margin rate for domestic customers unchanged but reduced the margin for small business customers from 11 per cent to reflect the six per cent provided for domestic customers. The Queensland Competition Authority maintained the approach of deciding an overall retail cost allowance that blends in a retail margin which is different from other regulators' approaches.

The Victorian Default Offer retail operating margin is low compared with other regulators' margins. We consider this is reasonable as it reflects the higher degree of market competition in Victoria than what is experienced in other jurisdictions.

Five per cent is in the reasonable range derived from expected returns approach

When we provided advice to government on the Victorian Default Offer in 2019, we engaged Frontier Economics to assess appropriate retail operating margins. Frontier Economics' report recommended two approaches: regulatory benchmarking and expected returns. The reasonable range derived from the expected returns approach at that time was between 4.8 and 6.1 per cent.[136]

Recently, the Independent Competition and Regulatory Commission engaged Frontier Economics to undertake similar work for its decision on standing offer prices to apply between 2024–25 and 2026–27. The reasonable range was updated to 4.5 to 5.9 per cent.[137]

Frontier Economics' estimated range was based on sensitivities of a spread of economic indicators, from cost of capital, cost structure to macro-economic volatility. It also had clear underlying assumptions. We consider this application of the expected returns method is robust and can be relied on in informing our decision.

Consistent with our previous decisions, we use the range derived from the expected return approach to set the retail operating margin. Our final decision to continue setting the margin at five per cent is supported by the expected returns approach, including Frontier Economics' most recent analysis.

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[136] Frontier Economics, *Retail Costs and Margin: A Report for the Essential Services Commission*, Chapter 6 'The expected returns approach', April 2019, p. 29, accessed 21 April 2026.

[137] Independent Competition and Regulatory Commission, *Final Report: Retail electricity price investigation 2024–27*, 23 May 2024, p. 45, accessed 21 April 2026.

Market offers below the Victorian Default Offer continue to show market competition

We continued to monitor market offer prices using data obtained from the Victorian Energy Compare website. Our analysis shows that over the period from April 2025 to March 2026; the median price of market offers available to domestic customers was about 10 per cent lower than the prevailing default offer prices.[138] This is consistent with a trend observed since 2020.

While we acknowledge that market offer data does not capture every active offer available to customers, it provides a useful indication of overall market movements. We also note that retailers adopt different pricing strategies across their customer base. Despite these differences, tracking market offers against the Victorian Default Offer allows us to monitor competitive pressure in the market.

The trend observed in market offer prices since 2020 indicates competition among electricity retailers and suggests that the Victorian Default Offer is not set below efficient cost. Instead, it continues to operate as a reasonable price while allowing retailers to compete through lower market offers.

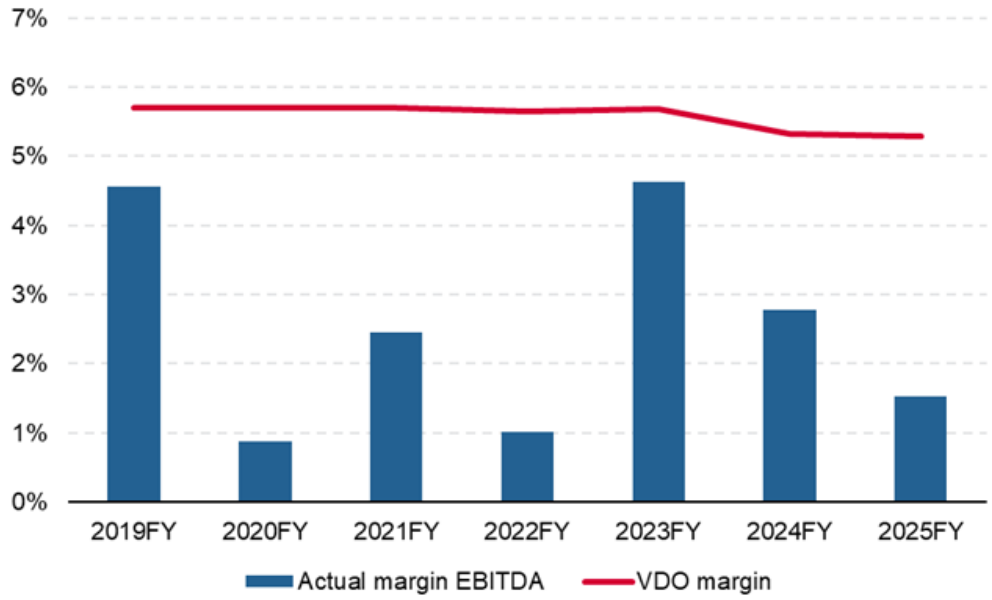
We have monitored retailers' actual margins

We updated the average actual retail margin to 2024–25 using data provided by Victorian retailers. The average actual margin remained below the retail operating margin allowed under the Victorian Default Offer. Some retailers earned margins above the regulated margin, while others recorded losses, and there has been considerable variability across years. See Figure 10.[139]

[138] For further detail, we used pricing data from the electricity plans 'generally available to customers on the market'. This data doesn't include ongoing contracts, restricted plans, or plans retailers create internally. We selected the non-standing offer prices to calculate the price level advertised on the market. Despite the data doesn't include all the non-standing offer plans that customers are on, we consider the data better captures the pricing strategy that retailers have adopted on the Victorian market.

[139] In Figure 10, actual margins were weighted averages by customer number across the Victorian businesses in our collection sample. We showed average margin but not individual businesses' margins due to commercial confidence. We derived the margins by reviewing revenues and cost information collected, specifically the businesses' earnings before interests, tax, depreciation and amortisation (EBITDA). See our footnote at the start of this chapter for more detail.

Figure 10: Actual and regulated retail operating margins in Victoria



Source: Essential Services Commission analysis based on data requested and received from a sample of Victorian retail electricity businesses; Victorian Default Offer decisions.

We are not required to base the retail operating margin on retailers' actual margins. Instead, we consider actual margins as one of several factors that inform our decision. Actual margins fluctuate significantly from year to year, making them an unstable basis for setting a regulated margin. Our approach therefore focuses on maintaining a margin that supports regulatory stability, reflects efficient costs, and balances the interests of both consumers and retailers.

We observe that retailers on average currently appear to be earning margins that are materially below the margin that we set. For the purposes of this decision, we do not consider this outcome is a result of setting the Victorian Default Offer too low. This is because there are a range of other factors affecting businesses' margins, including their corporate structures, financing decisions, pricing strategies, variations in underlying costs and in the customer segments they service.

We will continue to monitor retailer profitability, including related factors like retailer pricing practices, as part of our broader market oversight and regulatory functions.

We considered submissions on the retail operating margin

We received five submissions in response to our draft decision commenting on the retail operating margin. One joint submission from community groups, three submissions from retailers and the Australian Energy Council.[140]

Community groups supported a margin of five per cent

The joint submission from community groups supported our decision on the retail margin. The group argued that the commission should take a holistic view of the overall cost of the Victorian Default Offer to customers, and that the retail margin should be considered within this broader assessment.[141]

Retailers raised concerns that the retail operating margin is too low

Origin Energy emphasised the importance of maintaining the retail operating margin at five per cent as it provides regulatory certainty for electricity retailers. It argued that the retail operating margin should not be dropped below five per cent as it would discourage retailers' market participation.[142] It also noted that it is too early to assess the impact of reducing the retailer operating margin to five per cent on investment, innovation, and market participation.

The Australian Energy Council expressed concern that the current retail operating margin may not provide sufficient incentives for retailers to compete in the market.[143] ENGIE expressed similar views, stating that the current margin level may already be insufficient to support healthy competition.[144]

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[140] Submissions to the Essential Services Commission, *2026–27 Victorian Default Offer: Draft Decision Paper*, April 2026: Joint community sector and consumer advocates Victorian Council of Social Service, Community Information and Support Victoria, Consumer Action Law Centre, Council on the Ageing Victoria and Seniors Rights Victoria, Energy Consumers Australia, Financial Counselling Victoria, Uniting Vic Tas, and Westjustice, pp. 3, 5; Australian Energy Council, pp. 3–4; AGL Energy, pp. 2, 4; ENGIE, p. 4; Origin Energy, pp. 1, 3.

[141] Submission to the Essential Services Commission, *2026–27 Victorian Default Offer: Draft Decision Paper*, April 2026: Joint community sector and consumer advocates Victorian Council of Social Service, Community Information and Support Victoria, Consumer Action Law Centre, Council on the Ageing Victoria and Seniors Rights Victoria, Energy Consumers Australia, Financial Counselling Victoria, Uniting Vic Tas, and Westjustice, pp. 3, 5.

[142] Submission to the Essential Services Commission, *2026–27 Victorian Default Offer: Draft Decision Paper*, April 2026: Origin Energy, pp. 1, 3.

[143] Submission to the Essential Services Commission, *2026–27 Victorian Default Offer: Draft Decision Paper*, April 2026: Australian Energy Council, pp. 3–4.

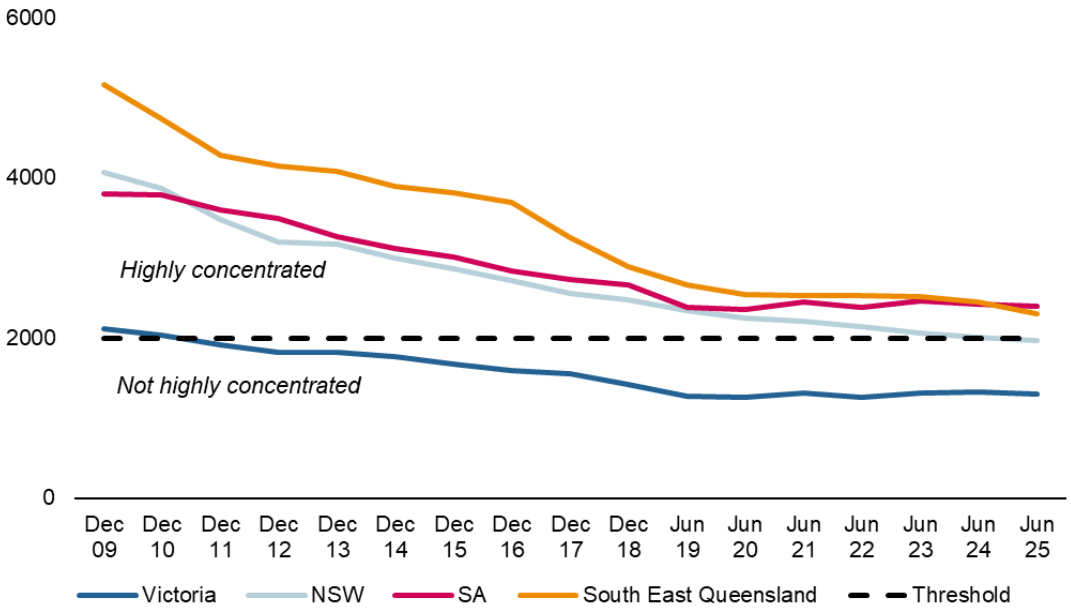
[144] Submission to the Essential Services Commission, *2026–27 Victorian Default Offer: Draft Decision Paper*, April 2026: ENGIE, p. 4.

The level of competition in the Victorian market remains stable

Retailers are exposed to market share pressures in a competitive market. We consider that competition in Victoria remains robust.

We have considered the latest index on market concentration for domestic electricity customers in Figure 11. Victoria's index has stayed below 2,000, meaning the market is less than highly concentrated.

Figure 11: Market concentration by HHI, domestic electricity customers[145]



Source: Australian Competition and Consumer Commission analysis of data from Australian Energy Market Commission, Australian Energy Regulator, Essential Services Commission.

Figure 11 shows that since the introduction of Victorian Default Offer in 2019, the HHI index for Victoria has not materially changed.[146] This shows the market has a stable level of competition. Therefore, at this stage, we consider our decision on the retail operating margin, and the overall level of the Victorian Default Offer we have set over time, is appropriate and has not adversely affected the competitiveness of the market.

[145] HHI refers to Herfindahl-Herschman Index, a recognised measure of market concentration. Australian Competition and Consumer Commission, *Inquiry into the National Electricity Market: December 2025 Report*, Figure 2.1, p. 13.

[146] Reproduced based on data from: Australian Competition and Consumer Commission, *Inquiry into the National Electricity Market: December 2025 Report*, Appendix C spreadsheet, Supplementary Table C1.1.

We have accounted for relevant risks in areas of the cost stack

The Australian Energy Council noted that while the retail margin should not account for costs already recovered through other components, the retail margin should still reflect broader increases in retailers' operational and regulatory costs. AGL Energy also noted that the current global fuel crisis has placed cost pressure on retailers, therefore the retail margin should be higher.[147]

The retail operating margin only compensates the investor for non-diversifiable risk, or systematic risk (while covering tax, depreciation and amortisation). Retailers can hedge or diversify their financial instruments to mitigate other risks. We have accounted for appropriate cost variability in all other components of the cost stack, including as part of wholesale electricity costs.

We consider our cost stack provides appropriate compensation for an efficient retailer's non-diversifiable risks. We consider it inappropriate to compensate for further costs in the retail operating margin.

After considering all submissions received in response to our draft decision, we remain of the view that maintaining the retail operating margin at five per cent provides regulatory stability. Keeping the margin at this level ensures consistency in our pricing approach, and has appropriate regard to the concerns raised by industry and the interests of consumers. In addition, five per cent is within the range estimated from the expected returns approach which indicates an efficient level of retail operating margin for electricity retailers.

We see no evidence from submissions that would justify changing our method or our decision on the Victorian Default Offer's regulated retail operating margin.

[147] Submission to the Essential Services Commission, *2026–27 Victorian Default Offer: Draft Decision Paper*, April 2026: AGL Energy, pp. 2, 4.

Calculating tariffs and the maximum annual bill

The pricing order requires us to determine the

- tariffs, or the maximum tariffs, a retailer may charge prescribed customers under a standing offer during the regulatory period or
- manner in which the tariffs, or the maximum tariffs, a retailer may charge prescribed customers under a standing offer during the regulatory period are to be determined or calculated.[148]

Currently, most retailer offers reflect flat or time of use structures, for which we set a corresponding Victorian Default Offer price. However, there are a variety of other non-standard offers and an increasing range of dynamic tariffs in the market, and it is not practical for us to set prices for all of these. Instead, the compliant maximum annual bill regulates all tariff types other than flat and time of use for standing offers.

We determine prices for the Victorian Default Offer tariffs and maximum annual bill based on the cost components and inputs set out in Appendix A.

The Victorian Default Offer includes:

- **Flat tariffs** – for standing offers with flat tariffs.
- **Time of use tariffs** – for standing offers with three-period time of use tariffs for domestic customers and two-period time of use tariffs for small business customers.[149]
- **The compliant maximum annual bill** is the maximum annual electricity bill amount that a customer is to pay under a standing offer in the regulatory period – for standing offers with non-flat tariffs, other than three-period time of use tariffs for domestic and two-period time of use tariffs for small business customers (calculated based on the flat tariff).[150]

Tariff structure

All tariffs include fixed costs (reflected in a daily supply charge) and variable costs (reflected in a usage charge, per kilowatt hour).

[148] Clause 10 of the pricing order.

[149] We have not determined another manner to calculate tariffs and as in previous years, continue to use the manner in clause 10(2)(a)(ii)(A) of the pricing order.

[150] We have not determined another manner to calculate tariffs and as in previous years, continue to use the manner in clause 10(2)(a)(ii)(B) and clause 12(5) of the pricing order.

For flat tariffs, the usage charge is a single charge, applicable to the amount of electricity imported from the electricity network.

For time of use tariffs, the 2026–27 Victorian Default Offer tariff structure for domestic customers changed from two-period to three-period tariffs. This reflects the Australian Energy Regulator's (AER) September 2025 Tariff Structure Statement draft decision, which approved the distribution networks' proposed changes to residential tariff structures.

We have discussed network tariffs, tariff structures, and cost pass throughs in detail in Network costs section of this decision (see Distribution tariff reforms – 'solar soak' period, page 18). Our final tariff structure reflects the AER's final determination.

The usage charge in time of use tariffs is different during peak, off-peak and solar soak periods. The solar soak period is applicable to domestic customers only.

The usage charge is usually more expensive during peak periods and lower during solar soak periods.

Flat tariffs

Our final decision is to use the same approach to setting standing offer rates for flat tariffs as we have in our past Victorian Default Offer price determinations.

Flat tariff methodology

Daily supply charge (fixed costs) =

(retail operating costs including customer acquisition and retention + fixed network costs + per customer 'other' costs) x (1 + retail operating margin) x (1 + GST rate) ÷ days in the year

Usage charge (variable costs) =

(variable network costs + (wholesale electricity costs + environmental costs + variable 'other' costs) x (1 + network loss factor)) x (1 + retail operating margin) x (1 + GST rate)

Three-period time of use tariffs for domestic customers

Our final decision is to adopt a three-period time of use tariff for domestic customers. While the time of use tariff structure changed from a two-period to a three-period design, our approach to calculating and setting tariffs remains same to our past Victorian Default Offer price determinations. Consistent with this approach, we align our time of use tariff structure with the

Australian Energy Regulator's underlying network tariff structure for each distribution network. The final tariffs for 2026–27 were approved by the AER on 14 and 18 May 2026.[151]

For time of use tariffs, the fixed and variable cost components are the same as flat rate tariffs, except for variable network costs, which are different for peak, solar soak and off-peak times. (We use the Australian Energy Regulator's approved peak, solar soak and off-peak network rates).

Three-period time of use tariffs methodology

Daily supply charge (fixed costs) =

(retail operating costs including customer acquisition and retention + fixed network costs + per customer 'other' costs) x (1 + retail operating margin) x (1 + GST rate) ÷ days in the year

Peak usage charge (variable costs) =

(variable network costs for peak period + (wholesale electricity costs + environmental costs + variable 'other' costs) x (1 + network loss factor)) x (1 + retail operating margin) x (1 + GST rate)

Off-peak usage charge (variable costs) =

(variable network costs for off-peak period + (wholesale electricity costs + environmental costs + variable 'other' costs) x (1 + network loss factor)) x (1 + retail operating margin) x (1 + GST rate)

Solar soak usage charge (variable costs) =

(variable network costs for solar soak period + (wholesale electricity costs + environmental costs + variable 'other' costs) x (1 + network loss factor)) x (1 + retail operating margin) x (1 + GST rate)

Table 7: Three-period time of use tariff timing and reference usage split

	Peak	Off-peak	Solar Soak
Timing	4:00 pm – 9:00 pm	9:00 pm – 11:00 am	11:00 am – 4:00 pm

[151] The AER approved the distribution networks proposed residential tariff structures in its September 2025 draft Tariff Structure Statement decision, with the new tariffs scheduled to take effect from 1 July 2026 (see *Distribution tariff reforms – 'solar soak' period*, page 18). In its final decisions, released on 29 April 2026, the AER confirmed its earlier position and supported the approval of the new residential tariff structures.

Two-period time of use tariffs for small business customers

Our final decision is to use the same approach to setting standing offer rates for a two-period time of use tariff for small business customers as we have in our past Victorian Default Offer price determinations. Under this approach, we align our two-period time of use tariff structure with the Australian Energy Regulator's underlying network tariff structure for small business customers for each distribution network.

For time of use tariffs, the fixed and variable cost components are the same, except for variable network costs, which are different for peak and off-peak usage (we use the Australian Energy Regulator's approved peak and off-peak network rates).

Two-period time of use tariffs methodology

Daily supply charge (fixed costs) =

(retail operating costs including customer acquisition and retention + fixed network costs + per customer 'other' costs) x (1 + retail operating margin) x (1 + GST rate) ÷ days in the year

Peak usage charge (variable costs) =

(variable network costs for peak period + (wholesale electricity costs + environmental costs + variable 'other' costs) x (1 + network loss factor)) x (1 + retail operating margin) x (1 + GST rate)

Off-peak usage charge (variable costs) =

(variable network costs for off-peak period + (wholesale electricity costs + environmental costs + variable 'other' costs) x (1 + network loss factor)) x (1 + retail operating margin) x (1 + GST rate)

Table 8: Two-period time of use tariffs reference usage for small business customers

Usage	Peak	Off-peak
Timing	9:00 am – 9:00 pm weekdays	All other times

Compliant maximum annual bill

For all other standing offers (for example, non-standard time of use and demand tariffs) we determined a compliant maximum annual bill amount, which is the maximum annual electricity

amount that a customer is to pay under a standing offer.[152] The compliant maximum annual bill helps to ensure that all standing offer customers are covered by the Victorian Default Offer, without removing the option of other non-flat standing offer tariffs.

Amount based on flat tariffs

The pricing order requires that we base the compliant maximum annual bill amount on the standing offer tariffs determined to apply for Victorian Default Offer flat tariffs, and a customer's electricity usage.[153]

Annual reference consumption amount

The annual reference consumption amount used to determine the compliant maximum annual bill amount is as follows:

- **Domestic customers** – there will be five maximum annual bills (one for each distribution zone), calculated for a representative customer consumption of 4,000 kWh per year.[154, 155]
- **Small business customers** – there will be five maximum annual bills (one for each distribution zone), calculated for a representative customer consumption of 20,000 kWh per year.[156]

For the purposes of calculating the compliant maximum annual bill amount, we assume customers use the same amount of electricity on each day of the year.

Calculating the compliant maximum annual bill amount

The compliant maximum annual bill amount is calculated using the relevant:

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[152] The Australian Energy Regulator has approved distribution providers' requests to close residential demand network tariffs. From 1 July 2026, all existing residential customers on these tariffs will be moved to time of use network tariffs. AER, *AusNet Final Decision, Attachment 13, Tariff Structure Statement,* p. 4, 30 April 2026; AER, *Jemena Final Decision, Attachment 13, Tariff Structure Statement,* p. 4, 30 April 2026; AER, *CitiPower, Powercor, United Energy Final Decision, Attachment 13, Tariff Structure Statement,* p. 4, 30 April 2026, accessed 30 April 2026. *The AER uses the term 'residential' in each distribution provider's Final Decision documentation, and distribution providers also use 'residential' in their initial and revised revenue proposal documents. However, we refer to this customer category as 'domestic', in accordance with clause 5(a) of the pricing order.*

[153] Clause 12(5) of the pricing order.

[154] We continue to use the annual reference consumption values in clause 15(5)(a)(i) of the pricing order and have not determined alternative values.

[155] Clauses 15(5)(a) and 15(5)(b)(ii) of the pricing order.

[156] According to the pricing order clause 15(5)(a)(iii), the annual reference consumption amount was 20,000 kilowatt hours per year for small business customers in making our first determination. We have continued to use this consumption amount in setting our Price Determination. However, currently, when presenting bill impacts, we assume average consumption to be 10,000 kilowatt hours per year for small business customers. We call this 'representative' usage. We have used this representative usage to align with how Australian Energy Regulator reports small businesses prices in default market offers in other states.

- annual reference consumption amount[157]
- flat tariff determined by the commission for each distribution zone.

Retailers must show they comply with the maximum annual bill amount

If offering non-standard standing offers, a retailer must show the tariffs charged under these offers do not result in a total annual electricity bill that exceeds the relevant compliant maximum annual bill amount determined by the commission.[158]

In determining the tariff for non-standard standing offers, the retailer must use its representative usage profile, or relevant usage allocations, which reflects a reasonably representative estimate of consumption for the applicable group of customers over a 365-day period.

A retailer's estimated annual electricity bill for a non-standard tariff must be calculated using the relevant annual reference consumption amount for total annual usage as determined by the commission. This total usage amount must then be allocated according to the retailer's representative usage profile and multiplied by the retailer's relevant non-standard tariff rates.

[157] Clause 15(5)(a)(i) and (iii) of the pricing order.

[158] Clause 7(2) and 10(2)(a)(ii).

Appendix A: Calculating the cost stack

This appendix provides a summary of the cost components and inputs used to determine the Victorian Default Offer tariffs and the compliant maximum annual bill set out the commission's final decision.

Wholesale electricity costs

Table A.1 presents the wholesale electricity cost inputs and volatility adjustment for the 2026–27 Victorian Default Offer.

Table A.1: Wholesale electricity forecasts for 2026–27 ($/MWh, nominal, GST exclusive)

Distribution zone	Domestic		Small business		Both
	Wholesale price	Volatility allowance	Wholesale price	Volatility allowance	Wholesale electricity cost of exports
AusNet Services	$115.80	$0.53	$95.01	$0.59	$0.00
CitiPower	$112.14	$0.56	$92.38	$0.71	$0.00
Jemena	$118.82	$0.60	$95.08	$0.73	$0.00
Powercor	$114.25	$0.54	$93.48	$0.53	$0.00
United Energy	$116.89	$0.57	$95.88	$0.72	$0.00

Source: Frontier Economics, *Wholesale electricity costs for 2026–27: A final report for the Essential Services Commission*, 6 May 2026.

Network loss adjustment factor

Table A.2 shows the network loss factors for the 2026–27 Victorian Default Offer.[159]

Table A.2: Network losses for 2026–27

Distribution zone	Distribution loss factor	Marginal loss factor	Network loss adjustment factor
AusNet Services	1.0833	0.9947	7.76%
CitiPower	1.0406	1.0002	4.08%
Jemena	1.0550	1.0014	5.65%
Powercor	1.0755	0.9931	6.81%
United Energy	1.0480	0.9987	4.66%

Source: Australian Energy Market Operator, Distribution Loss Factors 2026–27 and Marginal Loss Factors 2026–27.

[159] Australian Energy Market Operator, Distribution Loss Factors for the 2026–27 Financial Year, 31 March 2026. accessed 12 May 2026; CitiPower, Powercor and United Energy, response to Distribution data: solar export and transmission lines, October 2023; AusNet, response to request on AusNet Services data – solar export and transmission lines, October 2023; Australian Energy Market Operator, Marginal Loss Factor: Financial Year 2026–27, April 2026, pp. 29–30.

Network tariffs (flat tariff)

Flat network tariffs for the 2026–27 Victorian Default Offer are presented in Tables A.3 and A.4.

Table A.3: Domestic electricity network charges, flat tariff, 2026–27 (GST exclusive)

Distribution zone	Fixed charge ($ per year)	Variable charge structure	Variable charge ($ per kWh)	Controlled load ($ per kWh)
AusNet Services	$145.31	Block 1 Block 2	$0.1343 $0.1343	$0.0490
CitiPower	$115.01	Anytime	$0.0909	$0.0100
Jemena	$120.77	Anytime	$0.0949	$0.0425
Powercor	$160.02	Anytime	$0.1047	$0.0100
United Energy	$115.01	Anytime	$0.0972	$0.0100

Source: 2026–27 Australian Energy Regulator approved network tariffs.

Table A.4: Small business electricity network charges, flat tariff, 2026–27 (GST exclusive)

Distribution zone	Fixed charge ($ per year)	Variable charge structure	Variable charge ($ per kWh)
AusNet Services	$148.94	Block 1 Block 2	$0.1761 $0.1761
CitiPower	$212.87	Anytime	$0.1010
Jemena	$246.75	Anytime	$0.1311
Powercor	$260.03	Anytime	$0.1195
United Energy	$224.99	Anytime	$0.1040

Source: 2026–27 Australian Energy Regulator approved network tariffs.

Network tariffs (two and three-period time of use)

Two and three-period time of use network tariffs for the 2026–27 Victorian Default Offer are presented in Tables A.5 and A.6.

Table A.5: Domestic electricity network charges, three-period time of use network tariffs, 2026–27 (GST exclusive)

Distribution zone	Fixed charge ($ per year)	Peak variable charge ($ per kWh)	Off-peak variable charge ($ per kWh)	Solar soak charge ($ per kWh)	Controlled load ($ per kWh)
AusNet Services	$145.31	$0.2696	$0.0533	$0.0100	$0.0490
CitiPower	$115.01	$0.1976	$0.0495	$0.0100	$0.0100
Jemena	$120.75	$0.1821	$0.0455	$0.0100	$0.0425
Powercor	$160.02	$0.2209	$0.0552	$0.0100	$0.0100
United Energy	$115.01	$0.2092	$0.0522	$0.0100	$0.0100

Source: 2026–27 Australian Energy Regulator approved network tariffs.

Table A.6: Small business electricity network charges, two-period time of use network tariffs 2026–27 (GST exclusive)

Distribution zone	Fixed charge ($ per year)	Peak variable charge ($ per kWh)	Off-peak variable charge ($ per kWh)
AusNet Services	$148.94	$0.2077	$0.0488
CitiPower	$212.87	$0.1539	$0.0384
Jemena	$250.20	$0.1702	$0.0371
Powercor	$260.03	$0.1966	$0.0491
United Energy	$224.99	$0.1554	$0.0389

Source: 2026–27 Australian Energy Regulator approved network tariffs.

Network metering charges

Metering charges for the 2026–27 Victorian Default Offer are presented in Table A.7.

Table A.7: Network metering charges, 2026–27 (GST exclusive)

Distribution business	Annual metering charge ($ per customer)
AusNet Services	$45.20
CitiPower	$53.13
Jemena	$66.23
Powercor	$61.42
United Energy	$46.74

Source: 2026–27 Australian Energy Regulator approved metering charges.

Environmental costs

Table A.8 presents the environmental cost inputs (per megawatt hour) for the 2026–27 Victorian Default Offer.

Table A.8: Cost of complying with environmental schemes (GST exclusive)

Environmental scheme	Certificate price, $/MWh	Scheme liability, %	Cost, $/MWh	Regulatory period adjustment	Total cost
Large-scale Renewable Energy Target	$10.92	16.67%	$1.82	-$0.27	$1.55/MWh
Small-scale Renewable Energy Scheme	$40	11.21%	$4.48	-$0.03	$4.45/MWh
Victorian Energy Upgrades program	$88.59	9.71%			$8.60/MWh
Feed-in tariff (social cost of carbon)					$0.00/MWh

Source: Essential Services Commission analysis and Frontier Economics, *Wholesale electricity costs for 2026–27: A final report for the Essential Services Commission*, 6 May 2026.

Retail operating costs and margin

The retail operating costs inputs and margin for the 2026–27 Victorian Default Offer are presented in Table A.9.

Table A.9: Retail costs and margin (CPI adjusted-GST exclusive)

Retail costs and margin	Annual benchmark
Retail operating costs	$150.00
Modest customer acquisition and retention costs	$48.49
Retail margin (% of cost stack including margin)	5.0%

Other costs

The fixed (per customer) and variable (per megawatt hour) other costs inputs for the 2026–27 Victorian Default Offer are presented in Table A.10.

Table A.10: Other costs (GST exclusive)

Charge	Rate
Essential Services Commission licence fee	$2.14/customer
Ancillary services	$0.13/MWh
Market suspension compensation	$0.00/MWh
Directions – usage	$0.03/MWh
Administered price cap – usage	$0.00/MWh
Reliability and Emergency Reserve Trader	$0.00/MWh
National Electricity Market (NEM) Participant fees	
NEM core fee	$0.30/MWh
NEM core fee (fixed)	$5.76/customer
NEM reform fee	$0.16/MWh
NEM reform fee (fixed)	$3.03/customer
Electricity retail market fee (formally Full retail contestability fee) (fixed)	$2.01/customer
IT Upgrade and Five-minute and global settlement compliance fees	$0.06/MWh
IT Upgrade and Five-minute and global settlement compliance fees (fixed)	$1.13/customer
Cyber security and resilience fee (fixed)	$0.15/customer
Cyber security and resilience fee	$0.01/MWh
Energy Consumers Australia (fixed)	$1.05/customer
NEM Participant export fee	$0.04/MWh
Total per MWh:	$0.72/MWh
Total per customer:	$15.26/customer[160]

[160] Values in the table do not sum to exact total due to rounding.

Appendix B: Network tariffs in the cost stack

Table B.1: Flat rate network tariff categories

Distribution zone	Domestic tariff	Small business tariff
AusNet Services	Small Residential Single Rate, NEE11	Small Business Single Rate, NEE12
CitiPower	Residential Single Rate, C1R	Small Business Single Rate, C1G
Jemena	Residential Single Rate, A100	Small Business Single Rate, A200
Powercor	Residential Single Rate, D1	Small Business Single Rate, ND1
United Energy	Residential Single Rate, LVS1R	Small Business Single Rate, LVM1R

Table B.2: Two and three-period time of use network tariff categories

Distribution zone	Domestic tariff	Small business tariff
AusNet Services	Small Residential Time of Use, NASS11	Small Business Time of Use, NAST12
CitiPower	Residential ToU, CRSTOU	Small Business ToU, CGTOU
Jemena	Residential Time of Use Daytime Saver, A130	Small Business TOU Weekdays, A210
Powercor	Residential ToU, PRSTOU	Small Business ToU, NDTOU
United Energy	Residential ToU, URSTOU	Small Business ToU, LVTOU

Table B.3: Controlled load network tariff categories

Distribution zone	Domestic controlled load or dedicated circuit tariff code
AusNet Services	NEE19
CitiPower	CDS
Jemena	A180
Powercor	DD1
United Energy	LVDed

Table B.4: Metering configurations used to calculate metering costs for each distributor

Distributor	Meter configuration
AusNet Services	One phase, one element
AusNet Services	One phase, two element
AusNet Services	Multiphase
AusNet Services	Multiphase, CT
AusNet Services	One phase, one element – not providing smart meter benefits (introduced from 1 July 2026)
AusNet Services	Multiphase – not providing smart meter benefits (introduced from 1 July 2026)
AusNet Services	Multiphase, DC (no longer in use from 1 July 2026)
CitiPower	Single Phase
CitiPower	Three phase DC
CitiPower	Three phase CT
Jemena	One phase
Jemena	One phase with contactor
Jemena	Three phase DC
Jemena	Three phase CT
Powercor	Single Phase
Powercor	Three phase DC
Powercor	Three phase CT
United Energy	Single phase
United Energy	One phase with contactor
United Energy	Three phase DC
United Energy	Three phase CT

Appendix C: Submissions on Draft Decision Paper

Name	Date received
AGL Energy	10 April 2026
Alinta Energy	10 April 2026
Anonymous 1	12 April 2026
Australian Energy Council	10 April 2026
Bura Man	27 March 2026
Electrify Boroondara – Part 1	26 March 2026
Electrify Boroondara – Part 2	26 March 2026
EnergyAustralia	10 April 2026
ENGIE	10 April 2026
Joint community sector and consumer advocates – Part 1	10 April 2026
Joint community sector and consumer advocates – Part 2	10 April 2026
Lawrence Carr – Part 1	4 April 2026
Lawrence Carr – Part 2	4 April 2026
Lawrence Carr – Part 3	4 April 2026
Origin Energy	14 April 2026
Paul Dakin	5 April 2026

Appendix D: Changes to cost component methodology

Table D.1 shows how our approach to estimating cost components has changed in this final decision compared to the 2025–26 Victorian Default Offer.

Table D.1: Comparison of 2025–26 Default Offer final decision and 2026–27 Default Offer final decision

Item	2025–26 Victorian Default Offer final decision	2026–27 Victorian Default Offer final decision
Victorian Default Offer costs		
Wholesale electricity costs	12-month trade weighted contract price is calculated from the daily settlement price for each day in the period except the date that options contracts are exercised. Retained a futures market approach, but changed load profile from a balance position (imports and exports at the end of each interval) to load only. Final decision included a wholesale electricity cost of exports. Final reading was taken 16 April 2025.	No change in approach. 12-month trade weighted contract price is calculated from the daily settlement price for each day in the period except the date that options contracts are exercised. Retained load only profile. Our final decision does not include wholesale electricity cost of exports. The final reading was taken 21 April 2026.
Network costs	Australian Energy Regulator's approved network tariffs and metering charges are treated as pass-through costs.	Australian Energy Regulator approved 2026–27 network tariffs and metering charges are treated as pass-through costs. The domestic ToU VDO changed from a two-period to three-period structure to align with the underlying network tariff structure.
Environmental costs		
Large-scale Renewable Energy Target	Estimated based on the 2025 renewable power percentage (RPP) multiplied by the futures market price for large-scale generation certificates for 2025–26.	No change in approach. 2026 Renewable power percentage (RPP) multiplied by the futures market price for large-scale generation certificates for

Item	2025–26 Victorian Default Offer final decision	2026–27 Victorian Default Offer final decision
	Adjustment included to account for difference between 2024 RPP, used in 2024–25 Victorian Default Offer final decision, and the midpoint between 2024 and 2025 RPPs.	2026–27. Certificate price read date 21 April 2026. Adjustment included to account for difference between RPP used in 2025–26 Victorian Default Offer final decision, and the midpoint between 2025 and 2026 RPPs.
Small-scale Renewable Energy Scheme	Estimated based on mid-point between 2025 binding and 2026 non-binding small-scale technology percentage multiplied by the clearing house price for small-scale technology certificates. Adjustment included to account for the difference between the 2025 non-binding, used in the 2024–25 Victorian Default Offer final decision, and the 2025 binding percentage.	No change in approach but updated small-scale technology percentage to reflect midpoint between the 2026 binding and 2027 non-binding percentages. Adjustment was performed and included in the final decision. Adjustment included to account for the difference between the 2026 non-binding, used in the 2026–27 Victorian Default Offer final decision, and the 2026 binding percentage.
Victorian Energy Upgrades program	Estimated based on the 2025 greenhouse reduction rate for electricity multiplied by the historic 12-month trade-weighted average price for Victorian Energy Efficiency Certificates.	No change in approach but used 2026 greenhouse reduction rate and used more recent 12-month Victorian Energy Efficiency Certificates prices and trade volumes. Volume weighted trade certificate prices up to 21 April 2026.
Minimum feed-in tariff (social costs of carbon)	The commission no longer produces a minimum feed-in tariff. There is no requirement for retailers to pay the social cost of carbon. We have removed this from the cost stack.	The minimum feed-in tariff is no longer set and there is no requirement for retailers to pay the social cost of carbon. This has been removed from the cost stack.
Retail operating costs	Estimated based on a benchmark, set by taking the customer weighted average of retailers' actual operating cost data from financial year 2023–24 and adjusting for the	No change in approach. Estimated based on a benchmark, set by taking the customer weighted average of retailers' actual operating cost data from financial year 2024–25 and adjusting for

Item	2025–26 Victorian Default Offer final decision	2026–27 Victorian Default Offer final decision
	change in consumer price index since June 2024.	the change in consumer price index since June 2025.
Modest customer acquisition and retention costs	Estimated based on cost levels from the Australian Competition and Consumer Commission's retail and electricity pricing inquiry's final report updated for inflation.[161]	No change in approach.
Other costs	Estimated and updated based on the latest available information on the: Australian Energy Market Operator's compensation updates, fees, and charges; reliability and emergency reserve trader costs; and Essential Services Commission licence fees. Included amounts to reflect known market intervention compensations amounts determined by the Australian Energy Market Operator for directions, suspension pricing (provisional and revision amounts) and administered pricing compensations claims as of 16 April 2025.	Updated the NEM Participant fees to reflect the new fee structure in the market operator's FY 27 draft budget and fees report. We now reflect a new 'NEM Participant export fee' to account for the shift to a gross charging approach for variable NEM Participant fees. Used the latest data available to estimate market intervention events, reliability and emergency reserve trader costs and Essential Services Commission fees.
Retail operating margin	Set at five per cent of the cost stack including the margin, having regard to benchmarks set by other regulators and the expected returns model. This also reflected market conditions.	No change in approach. Set at five per cent of the cost stack including the margin, having regard to benchmarks set by other regulators up until 21 April 2026 and the expected returns model.
Other matters		
Tariffs and structure	Flat tariffs. Two-period time of use tariffs.	Flat tariffs. Three-period time of use tariffs for domestic and two-period time of

[161] Australian Competition and Consumer Commission, *Electricity Pricing Inquiry: Final report*, June 2018.

Item	2025–26 Victorian Default Offer final decision	2026–27 Victorian Default Offer final decision
	Compliant maximum annual bill based on flat tariffs.	use tariff for small business customers. Compliant maximum annual bill based on flat tariffs.
CPI	Quarterly CPI indices published by Australian Bureau of Statistics (ABS).	The CPI base year has been updated this year to align with the latest base adopted by the Australian Bureau of Statistics (ABS). However, CPI indexation has been applied using quarterly CPI data, consistent with our previous approach.
Regulatory period	12 months	No change in approach.
Consultation papers	One Request for Comment Paper at the beginning of each review.	No change in approach.

Reference usage proportion for time of use tariff

The usage proportions in tables D.2 and D.3 are for reference only. The proportions were not used to produce compliant maximum annual bill. Our usage assumptions for residential time of use tariff are based on three-year Australian Energy Market Operator load data rather than one year. As a result, our usage proportion for the solar soak and off-peak periods have changed slightly since our draft decision.

Table D.2: Timing and usage proportion for domestic time of use (three-period) tariff which will be in effect from 1 July 2026

Usage	Peak	Off-peak	Solar Soak
Timing	4:00 pm - 9:00 pm	9:00 pm - 11:00 am	11:00 am - 4:00 pm
Usage proportion	0.29	0.53	0.18

In Table D.2, the usage breakdown is based on actual residential load profile for Victoria, derived from total residential grid-supplied consumption in the 2022–23, 2023–24, and 2024–25 financial years across all residential customers with no distinction between flat and time of use tariffs.[162]

[162] Actual MRIM data provided by Australian Energy Market Operator, read date of 30 January 2026.

Table D.3: Timing and usage proportion for small business time of use tariff

Usage	Peak	Off-peak
Timing	9:00 am - 9:00 pm weekdays	All other times
Usage proportion	0.49	0.51

In Table D.3, the small business usage timing and breakdown have remained unchanged since 2021. Following a review of actual small business customer load only usage data, which showed minimal change, we retained the usage proportions consistent with our previous reviews.[163]

Table D.4: Changes in average domestic costs benchmarks, $ nominal (average across all five Victorian distribution zones)[164]

Item	2025–26 Victorian Default Offer final decision	2026–27 Victorian Default Offer final decision
Wholesale electricity costs	$501	$491
Network costs	$616	$603
Environmental costs	$114	$62
Retail operating costs (including acquisition costs)	$194	$198
GST	$152	$145
Retail operating margin	$76	$72
Other costs	$21	$18
Total	**$1,675**	**$1,591**

Note: Totals may not be equal to the sum of individual cost components due to rounding. The CPI base year has been updated this year to align with the latest base adopted by the Australian Bureau of Statistics (ABS). However, CPI indexation continues to be applied using quarterly CPI data, consistent with our previous approach.

[163] Essential Services Commission July 2021, *Victorian Default Offer amendment to price determination 2021: Final decision*, Table 3, p.12.

[164] Values in the table may not sum to exact total due to rounding.

Appendix E: Order in Council

Order in Council and subsequent amendments can be found as a separate download on our website.

Appendix F: Our legislative considerations

The pricing order provides the commission power to make a Victorian Default Offer price determination and imposes some constraints on that power. This appendix explains the requirements for, and matters we must have regard to, in making the determination.

Prices are determined in May each year

We released our last determination on 26 May 2025 for the Victorian Default Offer to apply from 1 July 2025 to 30 June 2026 (the 2025–26 Victorian Default Offer).

Under the pricing order, we must make a new determination for the Victorian Default Offer to apply from 1 July 2026 to 30 June 2027 on or before 24 May 2026.[165] We refer to the new pricing arrangements for standing offers to apply from 1 July 2026, as the 2026–27 Victorian Default Offer.

The commission's power to determine the Victorian Default Offer

The Victorian Default Offer price determination is a determination for purposes of section 33 of the *Essential Services Commission Act 2001* (ESC Act). In making a Victorian Default Offer price determination, we must adopt an approach and methodology in accordance with section 33(2) of the ESC Act, and the pricing order.[166] Taken together, this means we must adopt an approach and methodology we consider will best meet the objectives specified in the ESC Act, the commission's objectives under the *Electricity Industry Act 2000* (EI Act) and the objective of the Victorian Default Offer.[167]

The approach and methodology are subject to the requirement that the Victorian Default Offer price determination must be based on the efficient costs of the sale of electricity by a retailer, having regard to: [168]

- wholesale electricity costs
- network costs
- environmental costs

[165] Clause 10(1) of the pricing order.

[166] Clause 12(1) of the pricing order.

[167] Best meeting the objective of the Victorian Default Offer is a requirement of clause 12(2) of the pricing order.

[168] Clause 10(3) of the pricing order read with section 33(5) of the *Essential Services Commission Act 2001*; Clause 12(3) of the pricing order. Further, clause 12(8) affirms that the pricing order does not require the commission to determine tariffs based on the actual costs of a retailer; Clause 12(4) of the pricing order.

- retail operating costs, including only modest costs of customer acquisition and retention[169]
- retail operating margin[170]
- any other costs, matters or things we consider appropriate or relevant.

The pricing order also specifies that we must not include headroom.[171]

Our objectives in setting the Victorian Default Offer

The objective of the commission under the ESC Act is to promote the long-term interests of Victorian consumers, having regard to the price, quality, and reliability of essential services.[172]

The commission has further stated objectives in the EI Act, including that the commission must adopt an approach which promotes protections for customers, promotes the development of full retail competition and a consistent regulatory approach between the electricity and gas industries (noting there is currently no framework for the regulation of prices for retail gas services).[173]

The objective of the Victorian Default Offer under the pricing order is to provide a simple, trusted and reasonably priced electricity option that safeguards consumers unable or unwilling to engage in the electricity retail market.[174]

As mentioned, when making a Victorian Default Offer price determination, the approach and methodology adopted by the commission must be one that best meets all these objectives.

Other matters the commission must have regard to when determining tariffs

Section 8A of the ESC Act provides that in seeking to achieve the commission's objective under the ESC Act to promote the long-term interests of Victorian consumers, the commission must have regard to the following matters to the extent that they are relevant in any particular case:

- efficiency in the industry and incentives for long-term investment

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[169] Clause 12(6) of the pricing order specifies that this is to be an amount determined by the commission in its discretion.

[170] Clause 12(7) of the pricing order specifies that this is to be an amount determined by the commission in its discretion, and in doing so regard must be had to (without limitation) the principle that the margin must not compensate retailers for risks that are compensated elsewhere in the costs. Clause 12(9) of the pricing order affirms that the commission is not required to determine tariffs based on the actual retail operating margin of a retailer.

[171] Clause 12(10) of the pricing order; 'headroom' being defined in clause 4(1) as 'an allowance that does not reflect an efficient cost borne by firms operating in the market'.

[172] *Essential Services Commission Act* 2001, s 8.

[173] *Electricity Industry Act 2000*, s 10.

[174] Clause 3 of the pricing order sets out the objective of the Victorian Default Offer.

- the financial viability of the industry
- the degree of, and scope for, competition within the industry, including countervailing market power and information asymmetries
- the relevant health, safety, environmental and social legislation applying to the industry
- the benefits and costs of regulation (including externalities and the gains from competition and efficiency) for consumers and users of products or services (including low income and vulnerable consumers) and regulated entities
- consistency in regulation between states and on a national basis
- any matters specified in the empowering instrument (that is, the pricing order).

Section 33(3) of the ESC Act specifies that in making a price determination under section 33 of the ESC Act, the commission must have regard to:

- the particular circumstances of the regulated industry (that is, retail electricity market) and the prescribed goods and services (that is, standing offers) for which the determination is being made
- the efficient costs of producing or supplying regulated goods or services and of complying with relevant legislation and relevant health, safety, environmental and social legislation applying to the regulated industry
- the return on assets in the regulated industry
- any relevant interstate and international benchmarks for prices, costs and return on assets in comparable industries
- any other factors that the commission considers relevant.

In addition, section 33(4)(b) of the ESC Act provides that in making a determination, the commission must ensure that the determination takes into account and clearly articulates any trade-offs between costs and service standards.[175]

[175] Under clause 12(11) of the pricing order, section 33(4)(a) does not apply to a Victorian Default Offer determination.

Appendix G: Assessment of how the Victorian Default Offer price determination has regard to relevant legislative considerations

This Appendix summarises our approach to making the 2026–27 Victorian Default Offer price determination.

Our approach to this review

In making the 2026–27 Victorian Default Offer determination, we have had regard to our 2025–26 price determination, assessed developments in the retail electricity market since making our previous final decision and analysed the costs of providing retail electricity services, among other matters. Our determination has been made using the same methodology as we did in our 2025–26 price determination. As part of this review, the estimates included in the cost stack were updated to reflect changes in the market and new data that is now available. Our approach helped us establish the cost estimates that best meet our legislative objectives, including the requirement that the price determination be based on the efficient costs of the sale of electricity by a retailer and the matters we must have regard to in making a determination (see Appendix F).

We analysed the efficient costs of electricity retailers

We collected cost data from electricity retailers which allowed us to understand the types of costs electricity retailers incur and elements of the efficient costs of supplying electricity to customers. The analysis of the cost data has informed our assessment of costs in the 2026–27 Victorian Default Offer determination. We sought advice from independent consultants on forecasting retailers' wholesale electricity costs and retailers' costs of complying with environmental programs for 2026–27. Our approach and methodology include these elements to estimate the efficient costs of the sale of electricity by a retailer:[176]

- **Network costs** – based on distributors' network tariffs and metering charges approved by the Australian Energy Regulator.
- **Wholesale electricity costs** – based on the forecast cost of purchasing electricity in the futures market, a wholesale cost of exports where appropriate and factoring in a volatility allowance.

[176] Clauses 12(3) and 12(4) of the pricing order.

- **Environmental costs** – based on retailers' costs of complying with environmental obligations imposed under Commonwealth and Victorian law or regulation.
- **Retail operating costs** – based on the customer-weighted average of retailers' actual retail operating costs for domestic and small business customers. These costs include modest customer acquisition and retention costs – based on the 2013–14 average acquisition cost benchmark updated for inflation.
- **Other costs** – National Electricity Market Participant fees, ancillary service fees, licence fees, and market intervention costs.
- **Network loss factor** – based on information from the Australian Energy Market Operator, and applied to wholesale electricity costs, environmental costs, and variable other costs.
- **Retail operating margin** – having regard to comparable regulatory decisions, market offer prices relative to default offer prices, the expected returns approach and retailers' actual margins.

Some elements of the cost stack are estimated using market data such as wholesale electricity purchase costs. We updated estimates of these elements in our final determination to account for any changes in market data that occurred since our draft decision. Data provided by retailers was used to set the retail operating cost benchmark, as a cross check of our cost stack and allowed us to compare the cost stack elements across different segments of the retail market. We also used findings from other regulators (such as decisions on the retail operating margin) in assessing the cost stack.

The Victorian Default Offer amounts may differ from the actual costs of retailers. We have sought to estimate the efficient costs of retailers, which at times and for some retailers may diverge from actual costs. In addition, as required by the pricing order, we have not included headroom in our cost stack.

Objectives of the commission and the Victorian Default Offer

Our assessment approach helps us meet our objectives

In performing its functions and exercising its powers, including making the Victorian Default Offer price determination 2026–27, the objectives of the commission are to:

- promote the long-term interests of Victorian consumers, having regard to the price, quality and reliability of essential services[177]

[177] *Essential Services Commission Act 2001*, s 8 and s 8A.

- promote protections for customers, promote the development of full retail competition and to the extent that it is efficient and practicable to do so, adopt a consistent regulatory approach between the electricity and gas industries (noting there is currently no framework for the regulation of prices for retail gas services).[178]

The objective of the Victorian Default Offer is to provide a simple, trusted and reasonably priced electricity option that safeguards consumers unable or unwilling to engage in the electricity retail market.[179]

In seeking to achieve our objectives, the commission must have regard to the matters set out in section 8A of the *Essential Services Commission Act 2001* (ESC Act) to the extent that they are relevant.

In making a price determination, the commission must adopt an approach and methodology which the commission considers will best meet the objectives specified in the ESC Act and the *Electricity Industry Act 2000* and the objective of the Victorian Default Offer.[180]

We must also have regard to a number of further matters set out in section 33 of the ESC Act.

We have had regard to these matters as outlined below.

Relevant matters under section 8A and section 33 of the *Essential Services Commission Act 2001*

Efficiency

Efficiency in the electricity industry and the efficient costs of supplying electricity has been an important consideration in making the Victorian Default Offer price determination 2026–27.[181] Our approach helped us establish the tariffs that reflect the efficient costs of the sale of electricity by a retailer, including a retail operating margin.[182] Our review used largely the same approach as our 2025–26 price determination.

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[178] *Electricity Industry Act 2000*, s 10.

[179] Clauses 3 and 12(2) of the pricing order. Also consistent with section 10(c), *Electricity Industry Act 2000*.

[180] Clause 12(2) of the pricing order.

[181] *Essential Services Commission Act 2001*, ss 8A(1)(a) and 33(3)(b).

[182] Clause 12(4)(e) of the pricing order.

Financial viability

A related matter that the commission has had regard to is the long-term incentives for investment and financial viability within the electricity industry.[183] As our decision on the Victorian Default Offer reflects our estimates of efficient costs, we consider that it helps promote the financial viability of the electricity industry.

Competition within the industry

In considering the scope for competition within the electricity industry, we note that setting prices at efficient costs is consistent with competition and does not preclude innovation that may lead to customers accepting market contracts that offer a better deal for them than the Victorian Default Offer. [184] Likewise, it does not prevent retailers, who can lower their costs, from attracting customers by making cheaper market offers available.

Other legislation applying to the industry

We considered other legislation applying to the electricity industry, including those that affect the efficient costs of a retailer.[185] Among other things, we considered costs associated with regulatory requirements on retailers (such as the Large-scale Renewable Energy Target, Small-scale Renewable Energy Scheme, Victorian Energy Upgrades program, and the Consumer Data Right). We also note that our benchmark of retailer operating costs reflects the costs of Victorian retailers complying with regulatory and legislative requirements.

The benefits and costs of regulation

The Victorian Default Offer was introduced as part of an independent review of the gas and electricity markets in Victoria.[186] The Victorian Default Offer is a simple, trusted and reasonably priced electricity option that safeguards customers unable to engage in the electricity retail market. In formulating the Victorian Default Offer we are not required to revisit the costs and benefits of implementing the Victorian Default Offer.[187]

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[183] *Essential Services Commission Act 2001*, s 8A(1)(b).

[184] *Essential Services Commission Act 2001*, s 8A(1)(c).

[185] *Essential Services Commission Act 2001*, s 8A(1)(d).

[186] The development of the Victorian Default Offer stemmed from the Independent Review into the Electricity and Gas Retail Markets in Victoria. The Victorian Government's final report from the Independent Review recommended a range of regulatory responses were required to protect the long-term interests of consumers. See Independent Review into the Electricity and Gas Retail Markets in Victoria: Final Report, August 2017, p. 52.

[187] Under clause 12(11) of the pricing order, section 33(4)(a) of the *Essential Services Commission Act 2001* does not apply to a Victorian Default Offer price determination.

Consistency in regulation between states and on a national basis and any relevant interstate and international benchmarks in comparable industries

We looked at regulation of retail electricity prices on a national basis and considered relevant benchmarks from other jurisdictions. In considering benchmarks from other jurisdictions, we also had regard to the different policy intent of the relevant legislation of these jurisdictions.[188]

The particular circumstances of the regulated industry

As part of this review, in having regard to the current circumstances of the electricity industry, the estimates included in the cost stack have been updated to reflect changes in the market and new data that is now available.[189] We also had regard to actual cost data from retailers. We also considered the broader economic environment including the impact of increased bad debt costs on retailers.

Accounting for trade-offs between costs and service standards

We must ensure that the determination takes into account and clearly articulates any trade-offs between costs and service standards.[190] In terms of quality and reliability of services, retailers are required to offer the Victorian Default Offer under the regulated terms and conditions for standard retail contracts. We consider the prices provided to retailers under the Victorian Default Offer will be sufficient for retailers to ensure the quality of service experienced by customers to at least continue to meet these regulated terms and conditions.

Clause 12 of the pricing order

Clause 12 of the pricing order provides that in making a Victorian Default Offer price determination, the tariffs determined by the commission are to be based on the efficient costs of the sale of electricity by a retailer. In doing so, the commission must have regard to:

- wholesale electricity costs
- network costs
- environmental costs
- retail operating costs
- including only modest costs of customer acquisition and retention
- retail operating margin

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[188] *Essential Services Commission Act 2001*, ss 8A(1)(f) and 33(3)(d).

[189] *Essential Services Commission Act 2001*, s 33(3)(a).

[190] *Essential Services Commission Act 2001*, s 33(4)(b).

- and any other costs, matters or things we consider appropriate or relevant.

The commission has had regard to these matters as set out in the body of our decision including the ‘Victorian Default Offer cost components’ chapter.