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Victorian Energy Market Update



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The Victorian energy market update meets our reporting obligations under Sections 54V and 54W of the Essential Services Commission Act 2001, Section 39A of the Electricity Industry Act 2000 and Section 47 of the Gas Industry Act 2001.

Disconnection levels between April and June 2021 remained low, in line with our expectations during stay-at-home orders in Victoria.

Energy customers receiving assistance appear to be falling further behind in their bills (in June 2021, compared to the past two years).

We are holding energy businesses to account, with retailers paying almost a million dollars in penalties for alleged price discrimination against solar customers and alleged fraudulent marketing.

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Working with the energy sector to support customers during the coronavirus pandemic

Low disconnections for non-payment with the reintroduction of stay-at-home orders

Our consumer protections continued to apply during the government's stay at home orders, to keep energy customers connected where there were health and safety concerns.

The government reintroduced stay-at-home restrictions between 27 May to 9 June, which led to a reduction in disconnections for non-payment in June 2021. The first disconnection for non-payment in June 2021 was recorded on 15 June.

Disconnections for non-payment between April and June remained lower than the monthly average in 2019, after reaching its highest level in March 2021 since lockdowns commenced (see Figure 1 on page 7).

It is important for customers to engage with their retailers to receive payment assistance during this time, and also for retailers to work with their customers to help manage their energy debt. Customers who have a payment arrangement with their retailer are protected from disconnection.



Disconnections for non-payment after June 2021

In addition to the quarterly performance data, energy retailers have continued to submit data voluntarily to enable us to monitor the impact of the coronavirus pandemic on customers.

Between July and August 2021, retailers continued to disconnect customers for non-payment when stay-at-home orders had ceased:

- In July 2021, 822 electricity and 251 gas residential customers were disconnected (stay-at-home restrictions applied between 16 and 27 July).
- In August 2021, 63 electricity and 9 gas residential customers were disconnected (stay-at-home restrictions applied from 5 August until present).

Energy customers' debt continues to increase

At the end of June 2021, 60,148 electricity and 43,376 gas residential customers were receiving tailored assistance from their retailer to help pay their bills (see Figure 2 on page 7), representing 2.1 per cent of both electricity and gas customers. This is a three per cent increase for electricity customers and a 12 per cent reduction for gas customers, compared to the monthly average in 2019.

The average outstanding debt of electricity residential customers receiving tailored assistance in April was at the highest level it has been since the introduction of the payment difficulty framework in January 2019 (see Figure 3 on page 7). During 2021, the average outstanding debt of electricity residential customers has stayed persistently high.

The average arrears at the end of June 2021 was seven per cent higher compared to the monthly average in 2019 for electricity, while the average arrears for gas was similar to the monthly average in 2019.



Payment Difficulty Framework Review

We have commenced reviewing the way the energy payment difficulty framework has been implemented since it came into effect two years ago and invite you to contribute to this review. We aim to better understand consumers' experience of the framework and how it has been implemented by energy retailers. We also seek to better understand the challenges retailers have faced during implementation, as well as how consumers can be better supported to engage.

You can participate in our engagement process by following our Engage Victoria page ([Energy payment difficulty framework implementation review | Engage Victoria](#))

Figure 1: Residential disconnections for non-payment by month in 2020 and 2021

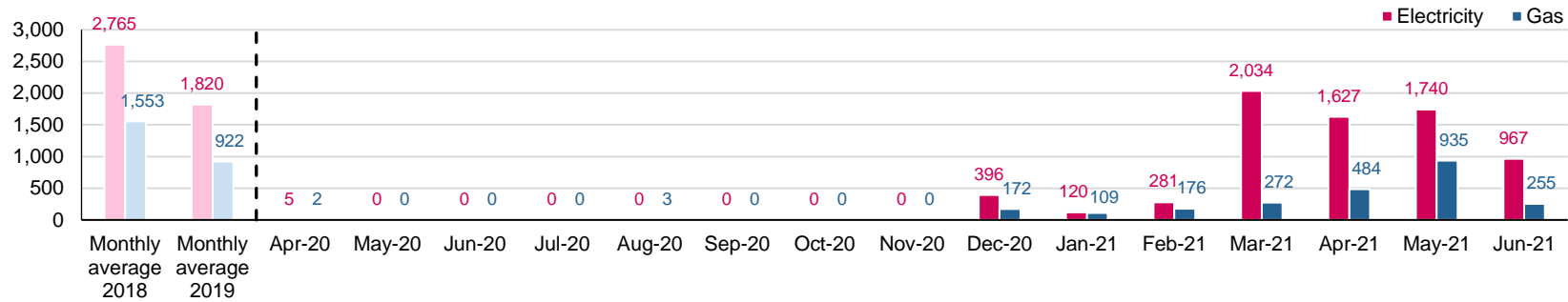


Figure 2: Residential customers receiving tailored assistance

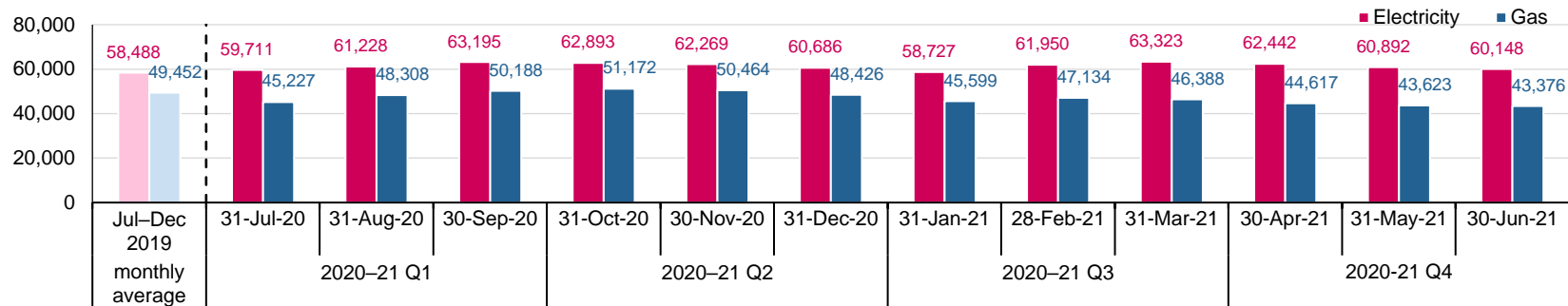
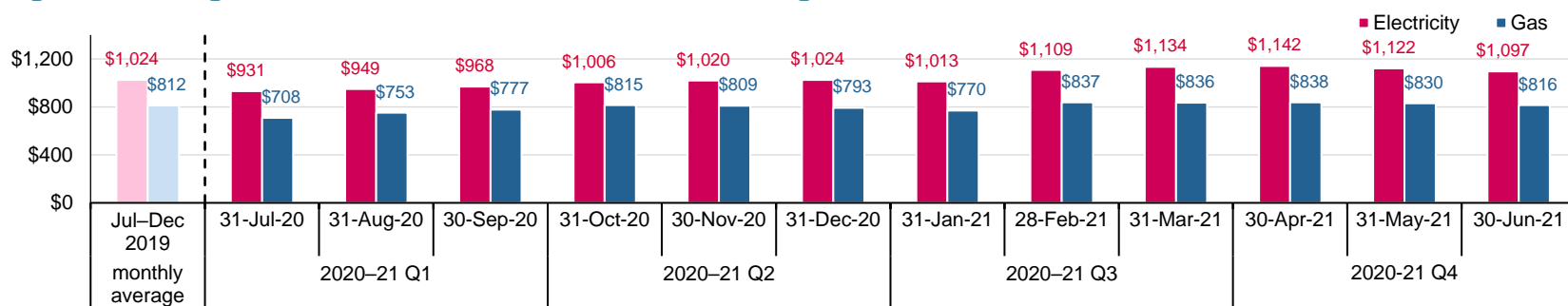


Figure 3: Average arrears for residential customers receiving tailored assistance



Source: Compliance and performance reporting guideline data collection

Market entry and exit

Anyone generating, transmitting, supplying, distributing or selling electricity or gas in Victoria must hold a licence from us, or be exempted from having one.

Two new electricity licences have been granted

Licences issued

Between 1 April 2021 and 30 June 2021, we issued one generation and one retail licence.

Victorian Big Battery Pty Ltd – electricity generation and sale licence

Victorian Big Battery Pty Ltd owns the largest lithium-ion battery in Australia (300MW/450MWh), located next to the existing Moorabool Terminal Station, approximately 13km north-west of Geelong, in south-western Victoria. The electricity generation and sale licence was granted on 26 May 2021.

Amber Electric Pty Ltd – electricity retail licence

Amber Electric Pty Ltd was previously operating under Energy Locals' retail electricity licence. Amber Electric has developed an electricity retail product which enables customers to purchase electricity at real-time wholesale prices. The electricity retail licence was granted on 16 June 2021.

Licence applications received

Telstra Energy (Retail) Pty Ltd – electricity and gas retail licences

We received an electricity and gas retail licence application from Telstra Energy (Retail) Pty Ltd and consulted on the application from 20 May to 1 July 2021. We received 14 submissions and feedback via two roundtable discussions with Victorian seniors and Indigenous representatives.

Ten Victorian customers or customer representatives responded to the questionnaire on Engage Victoria¹ and four written submissions were received from the following organisations:

- St Vincent de Paul Society
- Consumer Action Law Centre, Financial Counselling Australia, Victorian Aboriginal Legal Service and Financial Counselling Victoria (joint submission)
- Energy Users Association of Australia

¹ Engage Victoria, Telstra Energy – application for electricity and gas retail licence: <https://engage.vic.gov.au/telstra-energy-application-electricity-and-gas-retail-licence>.

- Victorian Pride Lobby.

Stakeholder submissions and summaries of feedback from Victorian seniors and Indigenous representatives can be found on our website.²

Apsu Power Pty Ltd – electricity generation and sale licence

We also received an electricity generation and sale licence application from Apsu Power Pty Ltd for a solar farm in north-west Victoria. We consulted on the application from 25 June to 15 July 2021 and no submissions were received.



Market entry and exit since July 2021

Since 30 June 2021, we issued new electricity generation and sale licences to:

- Apsu Power Pty Ltd for a solar farm located approximately 33 kilometres north of Shepparton, in the town of Numurkah.
- Diapur Wind Farm Pty Ltd, located in Western Victoria about 3km south of the township of Diapur. The wind farm has an output of 7.4 MW and will produce the equivalent energy usage of around 6,000 households each year.
- Murra Warra II Project Co Pty Ltd which is located about 25km north of Horsham in Western Victoria. Once it is fully constructed, along with Murra Warra stage 1, the 99 turbines will form one of the biggest wind farms in Australia with a total maximum generation capacity of 434 MW. Murra Warra is expected to produce more than 1,800 GWh annually, which is enough electricity to power about 420,000 average Victorian homes. It will also displace up to 1.7 million tonnes of CO₂ annually.

² Telstra Energy (Retail) Pty Ltd application for electricity and gas retail licences: <https://www.esc.vic.gov.au/electricity-and-gas/licences-and-exemptions/electricity-and-gas/licences/telstra-energy-application-electricity-and-gas-retail-licences#tabs-container2>.

Embedded electricity networks

Supporting customers when an embedded network operator goes out of business

In the previous edition of our quarterly Victorian Energy Market Update, we outlined that Veeve, an embedded network operator, went into liquidation. This affected several apartment buildings in Victoria and put customers at risk of having their electricity disconnected. To reduce this risk we:

- contacted gate-meter retailers and requested sites not be disconnected
- ensured distributors contacted us about any disconnection requests
- explored options for sites wanting to transfer to other embedded network operators
- provided information for affected sites on how they could move away from being supplied through an embedded network.

We commenced work to develop information for customers in an embedded network in the event their retailer goes out of business. This includes information on how embedded network customers can connect to the main electricity network and information on finding an alternative embedded network retailer.

Our website has information on how embedded network customers can connect directly to the main electricity distribution network and information on finding an alternative embedded network retailer. This includes the contact details of five licensed electricity retailers that have consented to being contacted about alternative retailer arrangements in the event an embedded network electricity retailer goes out of business.

Victorian Government embedded network review

The Victorian Government's expert panel published the Embedded Networks Review Draft Recommendations Report in June 2021.³ The expert panel received 133 submissions. A key focus of the expert panel's review is to provide recommendations to government on how to implement the Victorian Government's commitment to ban embedded networks in new residential apartment blocks, with exemptions for networks that have renewable energy.

In its draft report, the expert panel proposed to expand the commission's current licensing framework by introducing a new category called 'Local Energy Service'. This new licence category would be for anyone who supplies and sells electricity to customers in an embedded network. The panel's vision is a future market of competitive Local Energy Service providers that supply and sell electricity to consumers in embedded networks. Two key aims of these proposed changes are to

³ Department of the Environment, Land, Water and Planning, Embedded Networks Review Draft Recommendations, 2021. https://s3.ap-southeast-2.amazonaws.com/hdp.au.prod.app.vic-engage.files/4916/2494/9381/Embedded_Networks_Review_-_Draft_Recommendations_Report.pdf.

improve customer protections, and for embedded network operators to demonstrably share the benefits of renewable energy with consumers.

Compliance and enforcement priorities

The commission has committed to key compliance and enforcement priorities for 2021-22. These include a focus on embedded network operators:

- complying with the rules in the Energy Retail Code
- being registered with the Energy and Water Ombudsman (Victoria) so consumers have access to an external dispute resolution process for any complaints they may have.

Enforcing the energy rules for Victorian customers

When we identify potential breaches of the energy rules by businesses, we act to protect customers, build trust in the market, and deter future non-compliance.

Our compliance and enforcement actions from April to June 2021



\$940,000 in penalty notices paid by Powershop and Click Energy



4 warning and education letters issued to energy businesses



184 direct responses to customer enquiries



2 energy leaders' roundtables attended by representatives from over 30 energy retailers and distributors

Nearly \$1 million paid in penalty notices

During 1 April and 30 June 2021, \$940,000 of penalties were paid by energy retailers.

Click Energy paid \$640,000 in penalty notices for an external sales agent allegedly faking customer details to sign up customers without their consent. The penalty notices were issued in May 2021. The sales contractor allegedly processed transfer requests for 20 customers across 32 accounts, all without their knowledge. This enforcement action reinforces our focus on fraudulent marketing behaviour to gain customers and emphasises retailers' responsibility for the actions of their sales agents.

Under its Kogan energy brand, Powershop allegedly offered solar customers more expensive plans than non-solar customers. The commission alleged that this was in contravention of the Electricity Industry Act 2000, which requires retailers to sell electricity to solar customers at the same tariff and on the same terms and conditions that it offers to non-solar customers.

A summary of the penalties paid during 1 April and 30 June 2021 are shown in Figure 4.

Figure 4: Summary of penalty notices paid during 1 April and 30 June 2021

Retailer	Penalty notices	
	No. of	Total amount (\$)
Click Energy	32	\$640,000
Powershop	15	\$300,000

Penalty notices paid after June 2021

In July 2021, Simply Energy paid \$2.5 million in penalties because of alleged fraudulent marketing behaviour by door-to-door sales agents. The penalty notices were issued in June 2021.

Origin Energy paid \$450,000 in penalties in August 2021 for the alleged wrongful disconnection of 349 customers after sending text messages that failed to inform customers about payment help. The penalty notices were issued in July 2021.



Compensation to customers who were wrongfully disconnected

Retailers must report any potential or actual wrongful disconnection that they believe may have occurred. The commission may also further investigate reported breaches and consider taking enforcement action.

Between 1 April and 30 June 2021, retailers reported they may have wrongfully disconnected 86 customers (see Figure 5), 172 fewer customers than the previous quarter. This resulted in total compensation payments of \$159,057 (see Figure 6). Over 50 per cent of reported compensation payments came from Sumo and Origin Energy.

Origin Energy reported it compensated 22 customers, of which 15 were wrongfully disconnected for non-payment before April 2020. Origin Energy said it had not provided information about payment assistance to these customers before disconnecting them. We also note that Origin Energy have recently paid penalties for similar alleged wrongful disconnections.

The remaining wrongful disconnections from Origin Energy consisted of five customers who were disconnected earlier than their requested disconnection date. One customer had a different property to the one requested disconnected, and one customer was disconnected for unauthorised usage, even though the customer had taken steps to enter into a retail contract.

Sumo reported it compensated 22 customers for wrongful disconnections. We understand the payments were made following Sumo's assessment that 21 customers may have been wrongfully disconnected on the last day of their disconnection warning period, and one customer was supposedly disconnected without being provided the required notice before disconnecting.

Simply Energy also reported it compensated 12 customers for wrongful disconnections. Eight of these customers were disconnected due to older service orders disconnecting the customer before their requested disconnection date. Two customers were disconnected for unauthorised usage without prior notice (carry over customers), and one customer was disconnected due to an incorrect address. One customer was wrongfully disconnected even though they sought financial assistance with the retailer and did not receive support.

The commission also received one referral from the Energy and Water Ombudsman (Victoria), where a customer and retailer could not resolve a disconnection dispute. We are currently considering this referral.

Figure 5: Number of customers affected for self-reported wrongful disconnections

Retailer	Total customers affected			
	Jul to Sep 2020	Oct to Dec 2020	Jan to Mar 2021	Apr to Jun 2021
AGL	-	1	1	5
Energy Australia	1	2	4	3
Origin Energy	6	6	110	22
Lumo Energy	1	1	-	5
Red Energy	-	3	1	1
Simply Energy	26	4	6	12
Alinta Energy	7	1	-	3
Momentum	2	2	-	6
Powershop Australia	4	2	9	4
Tango (Pacific Hydro)	4	7	4	1
Sumo Power	2	-	122	22
Blue NRG	-	-	1	-
Elysian Energy	-	1	-	2
Energy Locals	-	1	-	-
Total	53	31	258	86

Data source: Compliance and Performance Reporting Guideline (CPRG) data collection. Figures may not add up precisely due to rounding. Excludes wrongful disconnection disputes referred to us. Zero payments relate to cases resolved with no payment, whereas a '-' means no wrongful disconnection. Payments relate to the timing of payments, rather than the time of disconnections. Includes wrongful disconnections between August 2018 and June 2021.

Simply Energy has reported additional payments in the months of July, August, October 2020 and February 2021. Also, Origin Energy reported an additional payment for March 2021.

Figure 6: Compensation paid for self-reported wrongful disconnections

Retailer	Total amount paid during the quarter			
	Jul to Sep 2020	Oct to Dec 2020	Jan to Mar 2021	Apr to Jun 2021
AGL	-	\$1,097	\$915	\$9,289
Energy Australia	\$488	\$13,844	\$892	\$1,432
Origin Energy	\$685	\$2,317	\$153,480	\$22,525
Lumo Energy	\$1,505	\$37	-	\$11,056
Red Energy	-	\$6,530	\$243	\$89
Simply Energy	\$16,238	\$853	\$1,637	\$33,190
Alinta Energy	\$5,145	\$44	-	\$17,060
Momentum	\$711	\$109	-	\$1,370
Powershop Australia	\$756	\$120	\$4,399	\$1,317
Tango (Pacific Hydro)	\$129	\$2,737	\$1,417	\$530
Sumo Power	\$68	-	\$110,389	\$59,478
Blue NRG	-	-	\$598	-
Elysian Energy	-	\$156	-	\$1,719
Energy Locals	-	\$130	-	-
Total	\$25,725	\$27,973	\$273,970	\$159,057

Data source: Compliance and Performance Reporting Guideline (CPRG) data collection. Figures may not add up precisely due to rounding. Excludes wrongful disconnection disputes referred to us. Zero payments relate to cases resolved with no payment, whereas a '-' means no wrongful disconnection. Payments relate to the timing of payments, rather than the time of disconnections. Includes wrongful disconnections between August 2018 and June 2021.

Simply Energy has reported additional payments for the months of July, August, October 2020 and February 2021. Also, Origin Energy reported an additional payment in March 2021.

Making 'best offer' messages clearer on energy bills

Consistent with our compliance and enforcement priorities, we have been monitoring billing practices of retailers and whether they are compliant with the Energy Retail Code.

In June 2021, we responded to consumer feedback suggesting that the best offer messages displayed on energy bills from Sumo Power were unclear. Under the Energy Retail Code, retailers must display a message to customers as to whether they are on its best energy offer, and if not, the amount the customer could save. We reviewed the best offer messages on sample energy bills from Sumo Power and found that the messages were not sufficiently prominent as required by the Code.

As a result of our compliance actions, Sumo Power increased the prominence of the best offer message on its energy bills.

Other activities we have undertaken

Resolving enquiries from customers living in embedded networks

We responded to three enquiries about embedded networks. These issues involved overcharging customers by offering rates higher than the Victorian default offer, and failure of the embedded network operator to register an exemption with the commission and obtain membership with the Energy and Water Ombudsman (Victoria).

As a result of our actions, 19 affected customers, including long term residents in caravan parks, were refunded around \$230 on average and another four customers were refunded at least \$30 each from a second matter, also resulting from being overcharged. Registration of the embedded network means that customers will have access to the Ombudsman to deal with any future complaints effectively.

Continued protections for customers during stay-at-home restrictions

In June 2021, we published standing advice to the energy industry that applies whenever Victoria or parts of Victoria are subject to stay-at-home restrictions from 1 July 2021 onwards. We expect that if a retailer or distributor becomes aware that a residential customer is isolating or quarantining, they must not take steps to disconnect the customer.



Roundtables with energy industry leaders and the community sector

The commission held two more energy industry leaders' roundtables, one in early June and the next in early September this year.

Both roundtables were well attended by energy retailers, distributors, and peak bodies the 'Australian Energy Council' and 'Energy Networks Australia'. We also had several observers, including the Energy and Water Ombudsman Victoria, the Australian Energy Regulator, and staff from government departments including Environment, Land, Water and Planning and Family, Fairness and Housing.

These roundtables give the commissioners an excellent opportunity to hear directly from the sector about the issues of concern for them and their customers. As all have been held in lockdown the additional challenges caused by the pandemic are front of mind. It is also a good forum to obtain feedback about commission work such as our disconnections advice in the June meeting and the payment difficulty framework review, which is underway, discussed in September.