

Origin Energy pays \$5 million in penalties for allegedly charging exit fees to thousands of customers

Origin Energy companies have paid penalties totalling \$5 million after allegedly charging prohibited exit fees to more than 20,000 gas and electricity small business customers.

The Essential Services Commission issued 250 penalty notices to Origin Energy after evidence showed that more than 77,000 gas and electricity small business contracts wrongly included exit fees. As a result, exit fees adding up to \$489,774 were charged to 22,371 customers.

Commissioner Sitesh Bhojani says it's the strongest action against an energy company in Victoria to date and shows how seriously we view behaviour that can undermine trust in the energy market.

"Origin Energy knew at all times about the changes in the law banning exit fees and they even reviewed 19 different contract templates but didn't remove the exit fees.

"Given the size and standing of Origin Energy, the commission is concerned about the company's compliance culture over that four-and-a-half-year period from 2016 to 2020," he said.

Mr Bhojani says retailers charging prohibited fees can have a substantial effect on customers, particularly on businesses.

"Some of the affected businesses were charities and not-for-profits who can't afford extra fees.

"Some were charged multiple times, paying thousands of dollars in prohibited fees," he said.

One local council was allegedly charged multiple exit fees while the faulty contracts also affected places of worship and charities.

Commissioner Bhojani says despite receiving customer complaints as early as 2018 Origin did not stop charging them until late 2020.

"At least one customer thought Origin was being generous after they complained and were told the fee would be waived," he said.

The case came to light in September 2020 after Origin Energy reported the alleged breaches of Victoria's electricity and gas industry Acts to the commission.

In Victoria, exit fees can only be included on fixed-term retail contracts with fixed tariffs, charges, and fees which was not the case with these small business contracts.

Commissioner Bhojani says Origin failed to respond adequately to complaints.

“The sheer scale and length of time of these alleged contraventions has the potential to damage the integrity of our competitive market by limiting the ability for customers to shop around for a better deal.

“This can have the effect of lowering consumer trust in Victoria’s energy market,” he said.

Origin Energy has advised the commission it is trying to contact former customers with fewer than half having been reimbursed for the wrongly charged exit fees to date. The commission is urging former small business customers of Origin to check with the company to see if they’re owed a refund.

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Editors’ note: The commission can issue energy industry penalty notices where it has reason to believe a business has committed an energy industry contravention. Payment of a penalty is not an admission of a contravention of their retail licences.