

Independent regulator releases draft decision on default electricity price for 2020

The state's independent economic regulator has released its draft ruling on the default price for electricity for 2020 with prices set to rise slightly in line with inflation.

If approved, the Essential Service Commission's draft decision would apply from 1 January 2020.

Introduced on 1 July 2019, the Victorian Default Offer provides a simple, trusted, and reasonably priced electricity option that safeguards consumers unable or unwilling to engage in the electricity retail market.

A [recent report from the ACCC](#) has shown Victorian prices have fallen in line with the [commission's advice](#) which came into effect on 1 July.

Commission chair Kate Symons says under the draft decision, VDO prices for households for 2020 would increase by around 1.3 per cent or \$19, in line with inflation.

"The default price is based on the various cost components of electricity bills, including the cost of distribution and generation of electricity.

"The draft decision reflects increases in market prices for electricity purchases and higher electricity distribution costs," she said.

The draft decision, now out for public comment, means households on simple standing offers* would generally continue to benefit from savings of more than \$300 per year compared to electricity bills before the introduction of the default price.

The VDO currently applies to around 130,000 residential and 30,000 small business customers on simple standing offers. Other customers can ask their retailer to switch to the VDO.

The draft decision also proposes an approach to regulating prices for more complex standing offers, such as those with time of use tariffs which will be covered by the VDO from next year.

Submissions on the draft decision can be made via [Engage Victoria](#) until 17 October 2019.

*Simple standing offers = single daily access charge, a single variable electricity usage charge and, where applicable, a controlled load component.

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Changes in VDO cost category – draft decision 20 September 2019

Component	Contribution to change for domestic customer		Contribution to change for small business customer		Description
	\$	%	\$	%	
Wholesale	\$18	1.3%	\$96	1.7%	Higher futures market prices for 2020.
Network	\$19	1.4%	\$106	1.8%	Higher network charges forecast for 2020.
Environmental	-\$23	-1.6%	-\$114	-2.0%	Declining certificate prices for LRET in 2020.
Other	\$5	0.3%	\$16	0.3%	Increased volume of solar exports in 2018-19, changes to ancillary fees.
Average total VDO bill change	\$19	1.3%	\$105	1.7%	

Contribution to the average change in cost components of the VDO for an average annual bill (nominal, GST incl).

Note: these estimates are based on an annual bill based on the flat tariff VDO, averaged across the five distribution zones for a typical domestic customer (consuming 4,000 kWh) and small business customer (consuming 20,000 kWh).

Numbers may not sum due to rounding.

Other = ancillary fees, retail operating costs, customer acquisition and retention costs, retail margin, GST.