



Implementing recommendations 3A and 4A-4E of the independent review

ESC draft decision

10 December 2019

Opening remarks

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Chairperson, Essential Services Commission

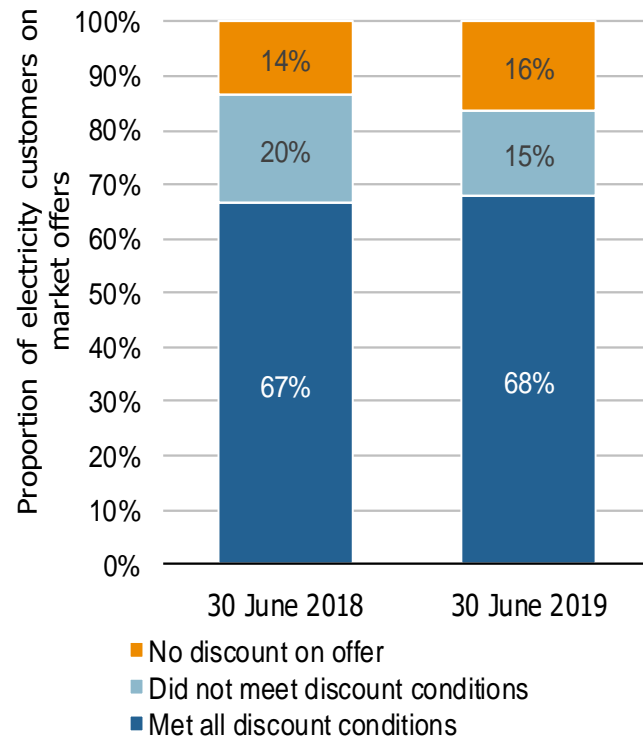
Outline

- Context
- Our draft decisions
- Next steps

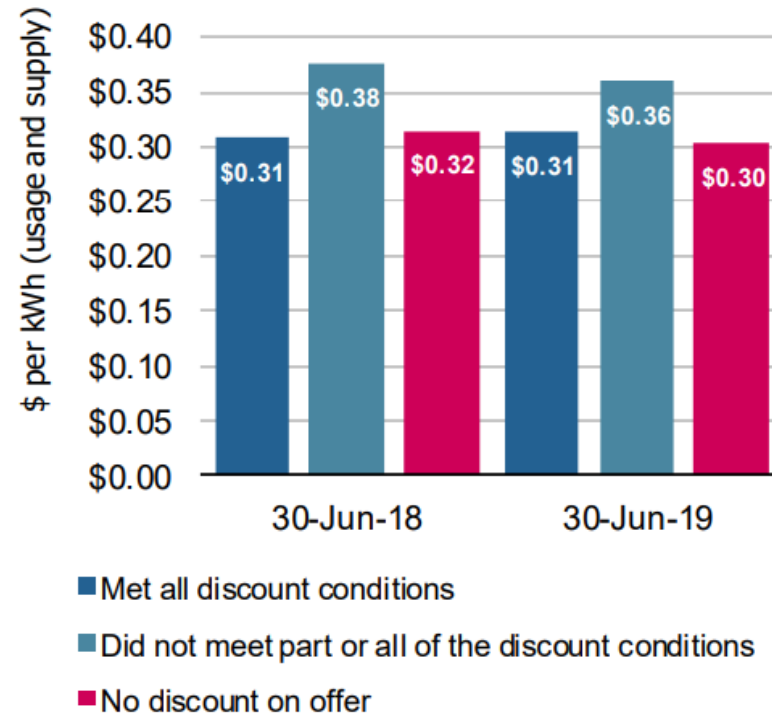
Context

- The independent review highlighted a number of concerns with retailer practices relating to discounting and contracts:
 - Retailers can change market offer prices at any time, meaning that customers can experience price increases soon after starting a new contract.
 - There is no consistent practice among retailers at the expiry of a customer's benefit or contract period. Customers who do not take action may end up worse off.
 - The use of discounts can be difficult to understand, and customers can be confused by offers with large headline discounts.
 - The majority of discounts are conditional on customers meeting offer conditions. As discount sizes have increased over time, so has the impact on customers of not meeting conditions.
- The review made recommendations 3A and 4A-4E to address these issues and provide enhanced protections for all customers, particularly those who are not able to or choose not to engage.

Our data shows that many of the issues found by the review are still relevant today

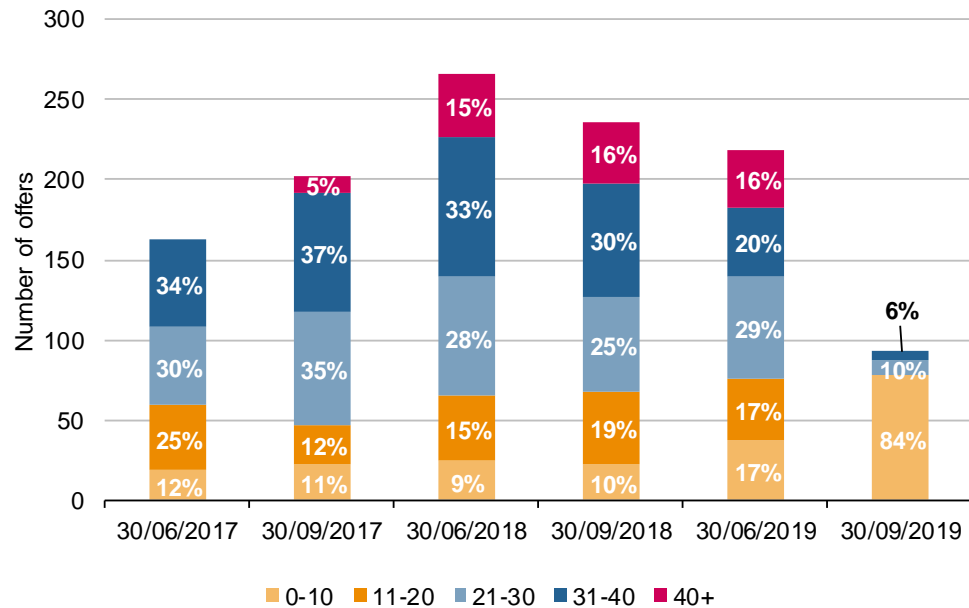


Breakdown of customers on discounted and undiscounted electricity market contracts

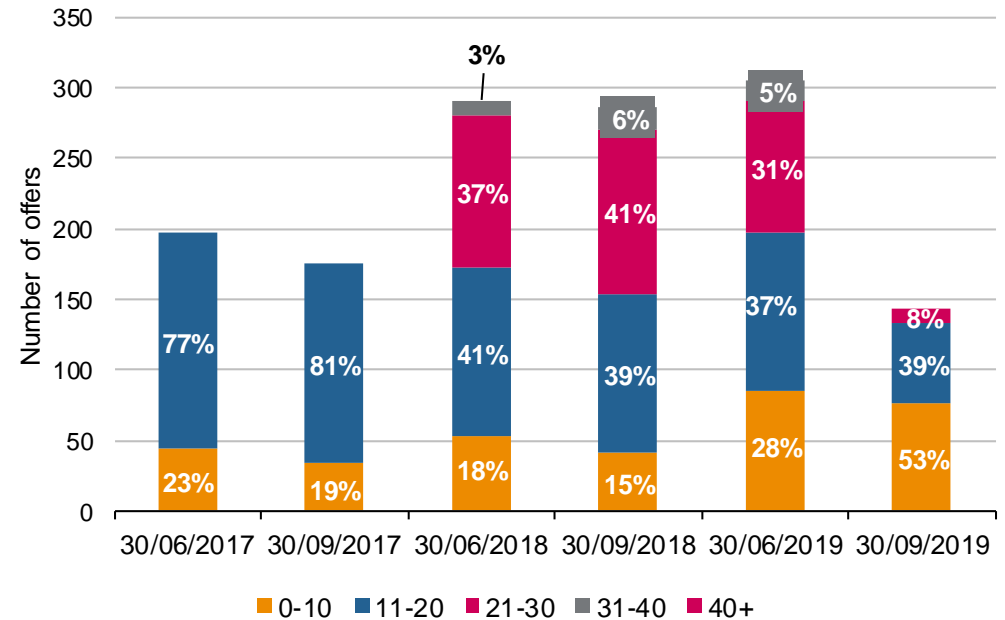


Average cost of not meeting discount conditions

Our data shows that many of the issues found by the review are still relevant today



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



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

Ensuring customers can easily compare offers

Recommendation	Summary of our proposals
3A: Require retailers to market offers in dollar terms, rather than as percentages or unanchored discounts	<ul style="list-style-type: none">• We will introduce a new objective in the marketing division of the code, requiring retailers to market gas and electricity offers clearly.• Conditional discounts must not be the most prominent feature in gas or electricity advertisements, marketing or promotions.• Retailers must advertise all electricity offers in relation to the VDO.• We will not introduce a gas reference price at this time.

Fixing market contract prices

Recommendations	Summary of our proposals
<p>4A: Require retailers to commit to fix any prices they are offering for a minimum of 12 months. During this period, the market contract prices cannot change. Retailers may request an exemption from the ESC to address unforeseen changes in network costs.</p> <p>4B: Require retailers to clearly disclose to customers the length of time any offered prices will be available without change.</p>	<ul style="list-style-type: none">• The price of existing market contracts can only change when the VDO changes.• Retailers who wish to offer products that are not compatible with limiting price changes to once a year must comply with certain conditions.• Under the clear advice entitlement, when a customer signs up to a contract, the retailer must disclose when prices will change and, if known, the magnitude of any anticipated changes.

Protecting customers at the end of benefit and contract periods

Recommendations	Summary of our proposals
<p>4C: Require retailers to roll customers onto the nearest matching, generally available offer at the end of a contract or benefit period, unless the customer opts for another offer.</p> <p>4D: Any conditional discount or other benefit offered for paying on-time or on-line billing should be evergreen. Customers should not lose the discount or other benefit when the contract ends.</p>	<ul style="list-style-type: none">• Customers must receive any ongoing discounts, credits or rebates for the entire duration of a contract. Retailers must not decrease these benefits during the contract term.• At the end of a fixed-term contract, if a customer does not give explicit informed consent to move onto a different offer, the retailer must roll them onto either the VDO (electricity) or that retailer's best offer (gas).• The changes to rules for gas contracts are subject to legislative amendments being made.

Regulating conditional discounts

Recommendations	Summary of our proposals
<p>4E: Costs incurred by customers for failing to meet offer conditions are to be capped and not be higher than the reasonable cost to the retailer.</p>	<ul style="list-style-type: none">• We will cap pay-on-time discounts, using a methodology based on the cost of debt for a retailer.• Retailers must honour pay-on-time discounts for customers in payment difficulty receiving tailored assistance.

Including information about the Victorian Default Offer on bills

- Retailers must include information about how a customer can access the VDO on electricity bills.

Changing the back-billing rules

- Retailers may only recover any amount undercharged in the four months before they notify the customer, unless the undercharging was a result of the customer's fault or unlawful act or omission.

Next steps

10 December 2019	Draft decision released
Mid January 2020	Stakeholder workshop (subject to interest)
21 January 2020	Submissions to draft decision close
End February 2020	Final decision released
1 July 2020	Energy Retail Code amendments take effect

- We are happy to have one-to-one meetings or calls to discuss our proposals
- Please let us know **by 17 December** if you would be interested in attending a workshop in mid-January (likely to be held in the week of 13 January)
- Get in touch with the team at retailenergyreview@esc.vic.gov.au