Fair energy outcomes for Victorians

Response to the Essential Services Commission draft advice on the Victorian Default Offer methodology

Joint submission by the Victorian Council of Social Service, the Consumer Action Law Centre, the Financial and Consumer Rights Council and the Council on the Ageing Victoria

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This document was prepared on the lands of the Kulin Nation.

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Executive summary

This submission has been prepared by the Victorian Council of Social Service, the Consumer Action Law Centre, the Financial and Consumer Rights Council and the Council on the Ageing Victoria, with assistance from other VCOSS members and Embiggen Economics.

We welcome consultation on the Essential Services Commission's (ESC) draft advice to government on the proposed methodology for the Victorian Default Offer (VDO). The VDO is intended to be a fair default energy option for people who have difficulty engaging with the market (or do not want to engage), and provide a reference point for comparing lower or higher priced offers.

The VDO is an important and welcome measure. Not everyone can be an 'engaged consumer'—even with government support, many people will continue to lack the resources and time to search for energy deals, understand the complexities of energy pricing, and regularly switch retailers. The energy playing field is far from even, with retailers able to invent tricky pricing and contractual practices that confuse people and make engagement difficult. It is unreasonable to expect so much to access an essential service.

The ultimate test of the VDO lies in whether it delivers fair energy outcomes for Victorians, rather than enhanced 'competition' or a particular market design or structure. The ESC can monitor customer outcomes following the VDO's introduction, including price levels and the prices paid by low income and vulnerable customers, transparency and predictability of energy prices, and ease of access to suitable energy offers.

According to government's terms of reference, the VDO should set an 'efficient' price for energy, which we support. However, there is a risk the VDO will not represent an efficient price, because it benchmarks retail costs against observed market costs (e.g. average Victorian retail operating costs). This is likely to build in existing retailer inefficiencies. Given this risk, the ESC should choose the lowest figure in any benchmarked range of costs and only accept a higher figure where retailers can show some real increase in customer value.

In this submission we suggest the ESC and government can best deliver the VDO by:

- focusing on efficiency and fair energy outcomes
- considering certain changes to the calculation of wholesale, network, environmental and other regulatory costs
- better identifying 'efficient' retail costs
- maximising access to the VDO.

Recommendations

Focus on efficiency and fair energy outcomes for Victorians

- Focus on delivering an efficient price when finalising the VDO.
- Monitor customer outcomes following introduction of the VDO and other retail energy market reforms.
- Adopt a cost-based approach to setting the VDO, and do not rely solely on a benchmarking approach where this incorporates existing inefficiencies.

Better identify 'efficient' retail costs

- Base retail costs on the lowest existing costs in the market and test observed retail costs against customer outcomes.
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- Make the VDO the maximum price embedded network customers can be charged.
- Include an entitlement to pay in person at Australia Post without charge.

Focus on efficiency and fair energy outcomes for Victorians

Ensure efficiency with the VDO

Recommendation

Focus on delivering an efficient price when finalising the VDO.

We agree with the ESC that the purpose of the VDO is to provide customers with universal access to fairly priced energy.[1] Consistent with the terms of reference, we consider this means that the primary purpose of the VDO is to ensure Victorian energy consumers are not being charged more than is efficient to deliver them an energy service.

Since the establishment of full retail contestability, the assumption has been that competition is the means to ensure prices are efficient and services are valued by customers. As shown by the Final Report of the *Independent Review of the Electricity and Gas Retail Markets in Victoria*, however, competition has benefited some consumers at the expense of others. People who can engage with this complex market benefit from lower priced energy, while those who cannot engage pay higher prices.

Given this, we consider that in finalising the advice, the ESC should not overly focus on how the VDO can support effective competition. Rather, the ESC should focus on protecting customers, particularly disengaged customers, by only including costs in the VDO where it is efficient to do so. We consider that efficiency, in the context of the retail energy market, means supplying energy at lowest cost, in both the short-term and long-term interests of consumers.

One outcome of the VDO will be that it forms the basis from which retailers can make discounts. In this sense, the VDO will operate pro-competitively. However, we consider that this is less important than delivering efficient outcomes that directly address consumer needs, such as lower prices. The primary purpose of setting the VDO should not be to facilitate ongoing discounting by retailers, although this may be an additional outcome.

This focus on efficiency is particularly important because a large proportion of consumers are disengaged.[2] Efforts to engage consumers, including through payments to encourage

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[1] Essential Services Commission, *Victorian Default Offer to apply from 1 July 2019*, Draft advice, 8 March 2019, iii.
[2] Newgate Research for Australian Energy Market Commission, *Consumer research for nationwide review of competition in retail energy markets*, June 2014, 38-44; Australian Competition and Consumer Commission, *Restoring electricity affordability and Australia's competitive advantage*, Retail Electricity Pricing Inquiry—Final Report, June 2018, xi-xii.

them to switch, have not succeeded in reaching significant numbers of consumers.[3] Moreover, efforts to 'engage' and promote competition add costs, not least costs borne by consumers in the effort and time to shop around. This reinforces our view that efficiency is the fundamental goal and protecting the disengaged should be the priority.

Monitor customer outcomes

Recommendation

Monitor customer outcomes following introduction of the VDO and other retail energy market reforms.

There is considerable speculation about the possible effect of the VDO on the range of prices, and number of retailers, in the market. In considering these issues, we request the ESC and government monitor not the state of the market per se, but *customer outcomes* arising from the VDO and other retail market reforms. A market's structure and traditional measures of competition (e.g. switching rates and 'engagement') tell us little about how customers are actually faring and the prices they are paying.

An outcomes approach should be about delivering the lowest cost energy for consumers. A variety of policies and market structures might deliver this, and we do not want to determine the success of any given market design. An overt focus on a 'competition'-based market design created the problems we see today.

Rather, the VDO's impact can be measured by monitoring things like:

- price changes and the distribution of customers across different price levels, particularly low income and vulnerable customers
- transparency and predictability of energy prices
- ease of access to suitable energy offers
- service quality
- true innovation in product offerings
- energy retailer accountability and regulatory compliance.

The ESC will need to be sufficiently resourced to undertake this monitoring and ensure the VDO is set at a level that promotes fair energy outcomes for Victorians.

[3] Approximately 200,000 Victorians had received the Power Saving Bonus as at October 2018: Victoria State Government, *Victorian Government final response to the Independent Review of the Electricity & Gas Retail Markets in Victoria*, 2018, 7; ABC News, 'Victorians missing power savings because of "complicated" comparison website: consumer groups', 23 July 2018.

Address the shortcomings of a benchmarking approach

Recommendation

Adopt a cost-based approach to setting the VDO, and do not rely solely on a benchmarking approach where this incorporates existing inefficiencies.

We strongly support the methodology proposed by the ESC and taking a cost-based approach to setting the VDO. We agree this is a more transparent and replicable methodology. Moreover, it aligns with a focus on efficiency given it steps through each part of the cost of a retailer in determining a fair price.

An index-based or benchmark approach is likely to incorporate existing inefficiencies of retailers, and will not meet the purpose of ensuring Victorian energy consumers are not being charged more than is efficient to deliver them an energy service. We consider that it is problematic to just observe current market indicators in determining what is efficient for any given cost component.

We are aware, however, of the ESC's recognition that it lacks broader information-gathering powers (such as those held by the Australian Competition and Consumer Commission) and that given this, it must take a benchmark approach to some cost categories, at least in the early stages of the VDO.

As outlined further below in respect to our commentary on particular elements of the cost stack, we consider it imperative that the ESC chooses the lowest possible figure in any benchmarked range of costs and only accepts a higher level where this is justified in terms of some real increase in consumer value (i.e. real increase in productivity, or a better and more differentiated product being delivered to consumers).

Moreover, we consider the burden of proof should lie with retailers to justify their costs. The burden of proof should not be on consumers or their advocates to show why any given increase in costs is unfair or unproductive. Retailers have access to detailed information about any increases in productivity justifying higher costs, which regulators and consumer advocates do not. Lower costs should be assumed to be more efficient until proven otherwise.

Consider changes to wholesale, network, environmental and other regulatory costs

Wholesale and network costs

We are generally supportive of the approach taken by the ESC to wholesale and network costs.

However, the ESC should take steps to manage the risk of excessive wholesale transfer pricing, i.e. where retailers with wholesale arms ('gentailers') transfer electricity internally at particularly high prices. These high wholesale prices are then paid by customers. If retail costs are constrained under the VDO, gentailers may increase wholesale transfer prices to recoup profits. The ESC should consider options for managing this risk, including estimating underlying generation costs.

Environmental and other regulatory costs

Again, we are generally supportive of the approach taken by the ESC to environmental and other regulatory costs. As a general point, we consider that environmental costs should be funded through budget allocations rather than through customer bills. However, we note that this is beyond the scope of the ESC's advice.

For a number of these costs—including the Reliability and Emergency Reserve Trader costs[4]—the ESC proposes to adopt costs based on actual costs from the previous 12 months. However, it acknowledges that the amount actually incurred by retailers is unknown but will be known at the end of the period. To prevent retailers receiving a windfall in the case that the costs incurred are lesser than the previous year, we consider the VDO should include an opportunity for true-up[5] when the VDO is next set. The ESC could investigate mechanisms for achieving this.

[4] These costs are incurred by retailers if the Australian Energy Market Operator has to buy 'reserve energy' when energy supply is running too low, including during summer peak periods.
[5] That is, reconciling estimated and actual costs, e.g. if actual costs are lower than estimated costs, the 'savings' should be delivered to customers in some way.

Better identify ‘efficient’ retail costs

This section focuses on retail costs and margin, which comprise:

- operating costs (or costs to serve), including billing, IT system and call centre costs, corporate overheads, energy trading costs, provision for bad debts and regulatory compliance costs
- customer acquisition and retention costs (CARC), including marketing costs, the cost of acquisition channels like commercial comparator websites, telemarketing and door-to-door sales, and the cost of customer retention teams
- profit margin.

The ESC proposes the following allowances for retail costs and margin under the VDO:

Retail costs and margin	Annual allowance
Retail operating costs	$104.50 per customer
Customer acquisition and retention/marketing costs	$51.48 per customer
Retail margin	5.7 per cent

Avoid building existing inefficiencies into the VDO

Recommendation

Base retail costs on the lowest existing costs in the market and test observed retail costs against customer outcomes.

The ESC has used a benchmarking approach to calculate retail costs, based on the ACCC’s analysis of retailer data in the Retail Electricity Pricing Inquiry, retailer data reported to the market, and previous regulatory decisions. We appreciate the ESC has used this methodology because it is one of the most transparent ways of calculating retail costs and margin in the limited time available. In future, however, we recommend the ESC modifies its methodology to avoid building inefficient pricing into the VDO. The existing methodology is problematic because:

- the retailer data gathered by the ACCC and other regulators or reported to the market will reflect retailers’ existing inefficiencies
- a ‘competitive’ market is not synonymous with efficiency – competitive, deregulated markets have not delivered efficiency, as shown by excessive average retail margins

of 11 per cent in Victoria, and increasing marketing costs. Observed market prices are not reliable indicators of efficiency
- there is wide variation in the retail costs estimated by different regulators and in the publicly reported data from retailers themselves (e.g. the Origin and AGL data cited by the ESC),[6] suggesting an information imbalance between retailers and regulators.

As noted above, we suggest that where there is ambiguity about which benchmark to use based on a range of existing retailer data, the ESC should initially tend towards the lower rather than the higher figure. An 'efficient' price for energy is one which delivers a quality service at the lowest cost. Lowest retail costs should be assumed to be most efficient until proven otherwise. Higher retail costs can only be justified where they are efficient and deliver some real increase in productivity, such as a better and more differentiated product. We note retail energy sales can only be differentiated so far, given energy is an homogenous product.

We also suggest the ESC tests observed retail costs against customer outcomes such as:

- average energy prices and the distribution of customers across different levels of pricing, particularly low income and vulnerable customers, who should not be paying higher prices on average
- disconnection rates, which can result from excessive pricing, poor customer service and/or inadequate regulatory compliance
- the rate of EWOV complaints and investigations.

If these indicators of customer outcomes are poor, it suggests retailers are not operating efficiently and their existing costs should be questioned.

In future VDO development, the ESC should also ensure the retail costs estimate is not overly influenced by small retailers' costs, which could lock in inefficiencies. Smaller retailers have higher costs because they cannot spread operating expenses over a large customer base, have less ability to bundle different services (like electricity and gas), and many do not have their own generation assets (and therefore face more risk and expense buying wholesale energy). The ESC may face pressure to support smaller retailers by factoring their higher costs into the VDO, but this should be avoided because:

- it could impose higher costs on people for little gain. Years after deregulation, Victoria's energy market still resembles an oligopoly, with a handful of large retailers dominating the market. Many small retailers struggle to achieve sufficient scale to place the bigger retailers under long-term competitive pressure[7]

[6] Essential Services Commission, *Victorian Default Offer to apply from 1 July 2019*, Draft advice, 8 March 2019, 45.
[7] Finncorn Consulting, *State of Play: Quantifying the Competitive Outcomes of Retailing in the NEM*, Report for Energy Consumers Australia, 30 November 2017, 65-72.

- an allowance for these higher costs would further advantage the large retailers—they would be able to charge excessive, inefficient prices to their big VDO customer bases.

The intent of the VDO is to provide people with a fair, efficiently priced energy offer. It is not the role of the VDO to prolong inefficient retail cost structures.

Operating costs

> **Recommendation**
>
> Test the allowance for retail operating costs against historical and jurisdictional data.

The ESC proposes to base the retail operating costs allowance on average Victorian retail operating costs of $96 per customer per year (adjusted for inflation). The ESC will also add a 5 per cent buffer and an allowance for the costs of complying with the payment difficulty framework.

For the reasons explained above, this benchmarking approach—without additional testing—is problematic because it builds in retailers' existing inefficiencies. If a benchmark must be used, the allowance for retail operating costs should tend towards the lower end of the range unless retailers can demonstrate some real driver of cost increase or a real increase in productivity for customers.

While we acknowledge there are some unique Victorian regulatory costs, Victoria's average retail operating costs should be tested against historical and jurisdictional data. For example, ACCC data shows retail operating costs are significantly higher than a decade ago, contradicting the theory that a competitive market would result in reduced retail operating costs. NEM-wide, retail operating costs increased by 20 per cent in real terms between 2007-08 and 2017-18 (from $75 to $90 per customer). Further, Victoria's retail operating costs are relatively high compared to other jurisdictions, such as New South Wales and South Australia.[8]

It is unclear whether these higher costs are warranted. The ESC can examine whether there has been some improvement in productivity or service that justifies higher retail operating costs in Victoria over time.

We also ask the ESC to clarify why the buffer for retail operating costs is set at 5 per cent. The basis for this is unclear in the draft advice, and may be excessive given a relatively high

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[8] Australian Competition and Consumer Commission, *Restoring electricity affordability and Australia's competitive advantage*, Retail Electricity Pricing Inquiry—Final Report, June 2018, 222-223.

allowance has been made for retail operating costs, when compared with historical and jurisdictional data.

Payment difficulty framework and other regulatory costs

Recommendation

Include all regulatory costs in the operating costs allowance and do not include a separate allowance for individual regulatory costs.

The ESC proposes to add a separate allowance of $3.01 per customer per year for the costs of complying with the payment difficulty framework. The ESC should clarify why a separate allowance is provided, given operating costs include regulatory compliance costs.

Energy retailers are not 'special'; they face regulatory risks and costs like any other business. Retailers could not operate without a regulatory framework that allows them to transact with different entities (the wholesale market, networks, customers etc.). Accounting for these costs is a necessary and predictable part of being a retailer, particularly one that supplies people with an essential service. People's health, wellbeing and lives are endangered if energy is not supplied affordably, fairly and reliably. Government tolerance for poor service is low. Any serious retailer would factor in the costs of close regulation, regulatory change and strong enforcement activity as a matter of course.

Regulatory change is not exceptional and does not require compensation separate to operating costs. The ESC risks overestimating costs and overcompensating retailers if it builds in buffers for individual regulatory costs like compliance with the payment difficulty framework. The burden of proof should be on retailers to justify why a new regulatory risk or compliance cost does not sit within ordinary operating costs.

Marketing costs

Recommendation

Adopt a lower figure of $38 per customer per year for marketing costs.

The ESC proposes to base CARC (or marketing costs) on ACCC data, given this is the most recent data available and is based on retailers' actual costs. Because the terms of reference allow for only 'modest' marketing costs, the ESC proposes the NEM-wide average of $51.48 per customer (adjusted for inflation), which is lower than the Victorian average of $59.

While we are concerned this benchmarking approach builds in existing inefficiencies, we support use of NEM-wide figures over Victorian figures. Existing Victorian marketing costs could reflect inefficiencies like high customer churn (Victoria's electricity switching rate is the highest in the NEM at 27 per cent of customers).[9]

However, even the NEM-wide figures will reflect inefficiencies. Energy marketing costs are inherently unproductive because, as the ESC notes, energy retailers are involved in a 'zero sum game'. Retailers spend a significant amount of money to shuffle the deck chairs and have customers churn back and forth between retailers. These marketing costs are then passed on to customers—customers pay to churn.[10] Customers are not recompensed for time spent on searching and switching, so total costs for customers are in fact higher than just marketing costs.

Despite these comments, the ESC appears to suggest that some level of marketing is 'efficient'. After noting methods for estimating wholesale, network and environmental costs, the ESC states:

> Estimating the 'efficient' level of marketing costs is more problematic. One way of thinking about how we might solve this problem is to imagine a market which is already operating efficiently because customers are highly engaged and rapidly switching to better priced offers as soon as they become available. In this efficient market, retailers would not need to spend a great deal on marketing because customers are already heavily engaged in searching for a better price. We have concluded that this is what our terms of reference mean when they refer to us only including a 'modest allowance for customer acquisition and retention costs'.[11]

Can a market with highly engaged customers be efficient, if churn is a zero sum game for retailers, and customers pay to churn? Perhaps in an efficient energy market, customer churn would be more constrained, loyalty would be rewarded, and retailers could differentiate themselves by offering high-quality and valued services, e.g. environmental credentials, demand response, smart home technology, or simply the fair supply of an essential service.

Because of the risks and uncertainties in identifying 'efficient' marketing costs, the ESC should tend towards the lower end of the range unless a real increase in productivity from marketing costs can be demonstrated.

NEM-wide marketing costs have increased significantly in recent years, from $38 per customer in 2013-14 to $50 per customer in 2016-17.[12] This is consistent with the market becoming less efficient over time, as competition has increased. The ESC's use of the $50 figure therefore locks in the inefficiencies the VDO is trying to combat. The lower figure of $38 should be adopted, or at the very most, a mid-range figure of $44.

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[9] Australian Energy Market Commission, *2018 Retail Energy Competition Review*, Final Report, 15 June 2018, xvi.
[10] Essential Services Commission, *Victorian Default Offer to apply from 1 July 2019*, Draft advice, 8 March 2019, ii.
[11] Ibid iii.
[12] Ibid 53.

We also note that even prior to the ‘Energy Fairness’ reforms, the ESC should ensure inefficient marketing methods are not factored into the VDO. For example, it is expensive to acquire customers through commercial comparators. Some retailers indicated to the ACCC that ‘the costs have become so high that those acquisitions are close to unprofitable unless the customer remains with the retailer for an extended period (and customers acquired through comparators tend to switch regularly)’.[13] This does not appear to be an efficient marketing method for some retailers.

Profit margin

> **Recommendation**
>
> Further consider why a lower retail margin is not justifiable, based on the analysis by Frontier Economics.

The ESC proposes a retail margin of 5.7 per cent, almost half the average Victorian margin of 11 per cent. This is a very important VDO feature given the average Victorian margin is so excessive—the highest in the NEM and one of the highest in the world.[14]

We broadly support the ESC’s decision to base the margin on recent regulatory decisions, rather than average retail margins analysed by the ACCC. As the ESC notes, the ACCC data reflects retailers’ existing margins, which are not necessarily what retailers *ought* to be earning.

However, there is some degree of circulatory if regulators continue to rely on each other’s decisions in calculating margins. In future VDO development, the ESC could consider testing proposed margins against historical data, comparable industries and other relevant sources.

We agree it is important retailers’ risks are not double-counted in the margin, i.e. if the VDO already allows for the cost of certain risks elsewhere. For example, we do not support additional room being made in the margin for wholesale pricing risks, since the wholesale costs estimate already includes allowances to cover those risks. Similarly, the VDO already accommodates regulatory risk and compliance costs in the operating costs allowance.

We note the analysis undertaken by Frontier Economics which recommends a range for the retail margin of between 3.1 and 6.1 per cent. While the ESC’s estimate is within this range, it sits at the high end. In accordance with our previous comments about taking a point lower in a range unless a higher level is justifiable based on the evidence, we ask the ESC to reconsider the evidence of Frontier Economics when finalising its advice.

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[13] Australian Competition and Consumer Commission, *Restoring electricity affordability and Australia’s competitive advantage*, Retail Electricity Pricing Inquiry—Final Report, June 2018, 231.
[14] Ibid 145-146.

Maximise access to the Victorian Default Offer

The 5 per cent of Victorians who are currently on 'standing offer' energy contracts[15] will be automatically transferred to the VDO starting 1 July 2019. To ensure *all* Victorians learn about and can access the VDO if they wish, government should:

- require all retailers to offer the VDO
- manage the risks of higher priced offers
- set the VDO as a maximum price for embedded networks
- add accessible payment options.

Require all retailers to offer the VDO

Recommendation

Require all energy retailers to offer the VDO to any customer who requests it.

We support all retailers being obliged to offer the VDO. Vulnerable people are likely to be excluded from the VDO and pay higher prices if only a residual group of retailers are obliged to offer the VDO (i.e. the 'financially responsible' retailer that most recently supplied the residence, or one of the 'big three' retailers in the case of new connections). It is very difficult to identify who these particular retailers are, especially when people move home and are under pressure to connect power as soon as possible, or are facing difficult life circumstances. Complaints to the Consumer Action Law Centre indicate retailers often fail to provide this information when they reject a person for energy supply. The process can involve multiple, stressful enquiries and considerable time and effort.

In addition, we are concerned to ensure people are effectively transitioned to the VDO upon its implementation. There are many people in the community who are not currently on standing offers, but are paying high rates, equivalent to standing offer rates. These include customers whose discounts or 'benefit periods' have expired.

The VDO can be viably offered by all retailers, including to people who may have additional service needs. As the ESC notes, Victorian retailers have capacity to absorb significant additional customers.[16] The VDO is not intended to be the lowest priced offer from a retailer, and is designed to accommodate the costs of serving a broad range of customers. It is priced at an 'efficient' level that assumes there is 'sufficient capacity in the market to service

[15] Essential Services Commission, *Victoria Energy Market Report 2017-18*, 26 February 2019, 39.
[16] Essential Services Commission, *Victorian Default Offer to apply from 1 July 2019*, Draft advice, 8 March 2019, 47.

all Victorian customers should they wish to enter a VDO contract for the supply of their electricity'.[17]

Manage the risks of higher priced offers

Recommendation

Manage the risks of energy offers priced above the VDO.

Government intends for retailers to make other energy offers available, priced below or above the VDO. We are very supportive of retailers offering deals below the VDO. However, offers priced above the VDO are potentially problematic. It is assumed customers will be free to take up these alternatives if they represent good value for money.[18] However, there is a risk people will inadvertently pay more than the VDO—for little or no extra value—if higher priced offers are pushed via commercial comparator sites, confusing advertising, or tricky contractual or sales practices. To manage this risk:

- the VDO must be a true default option, with people moving onto the VDO or the nearest priced offer at the end of a contract or benefit period, whichever is the cheaper
- retailers could agree with government to switch people to the VDO where they are currently on market offers priced above the VDO. People paying more than the VDO post-1 July 2019 should **only** be those who actively opt-in to those offers
- government, the ESC, retailers and the community sector can clearly communicate the role of the VDO as a comparator, to assess the value of lower or higher priced offers.

Set the VDO as a maximum price for embedded networks

Recommendation

Make the VDO the maximum price embedded network customers can be charged.

Embedded networks are increasingly common in Victoria, in apartment complexes, caravan parks and retirement villages. They are 'separate' energy networks that allow the site's owner or operator to sell energy to people who live at the site. It can be close to impossible, or very expensive, to exit an embedded network and choose a retailer in the mainstream market.

[17] Ibid 11.
[18] Ibid 12.

At the moment, embedded networks cannot charge more than the local area retailer's standing offer (the local area retailer varies by network and is always one of the big three retailers). The VDO is intended to replace those standing offers. We support the ESC's view that the VDO would become the maximum price embedded network customers could be charged from 1 July 2019. This will help protect people who are entirely captive to their embedded network operator, and who would otherwise have no choice but to accept higher pricing set above the VDO. The ESC should monitor embedded network operators to ensure compliance with the maximum price.

Add accessible payment options

Recommendation

Include an entitlement to pay in person at Australia Post without charge.

Several features of the VDO will help maximise access. The VDO will not have conditions attached, like pay-on-time discounts or online only payments. It will also adopt the terms and conditions for standing offers, including an entitlement to paper bills without charge.

Given the VDO is a default option and is not intended to be one of the lowest priced offers, we suggest there should also be an entitlement to pay in person at Australia Post without charge. Extra charges for in-person bill payments disadvantage older people who are not able to make electronic or over-the-phone payments. They also disadvantage people who cannot afford internet access or do not have reliable phone access.

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