

5 April 2023

Kate Symons  
Chairperson  
Essential Services Commission

Submitted electronically at [www.engage.vic.gov.au](http://www.engage.vic.gov.au).

**Submission to the Essential Services Commission's Victorian Default Offer 2023-24 Draft Decision Paper**

Dear Kate,

Energy Consumers Australia thanks the Essential Services Commission (ESC) for the opportunity to comment on the Victorian Default Offer (VDO) draft decision for 2023-24.

Energy Consumers Australia recognises that there have been unprecedented movements in the wholesale energy market over the past year, with prices expected to remain high into the future. We accept that this volatility has had a substantial impact on the ESC's calculation on the VDO and the large increases that have been announced.

In our response to the Consultation Paper we noted that, while we accept that a higher VDO is being driven by increasing wholesale costs, increasing prices pose a significant risk to consumer trust in the industry. This is especially true when considering consumers are currently facing increased cost-of-living pressures from a number of fronts.

We reiterate these points given the announced increases of over 30% for residential and small business consumers. Such an increase will be hard to absorb by consumers who are already indicating to us that they are struggling with rising energy costs. Our Energy Consumer Sentiment Survey found that over half of residential consumers ranked electricity as one of their top three bills they were most concerned about paying<sup>1</sup>.

We acknowledge that the ESC, throughout the determination, refers back to its objective to "provide a simple, trusted and reasonably priced electricity option that safeguards consumers unable or unwilling to engage in the electricity retail market"<sup>2</sup>. The significance of this objective is amplified by the current environment and we agree that the VDO should be set in a way that protects consumers from unreasonable prices.

We believe using retailers' actual retail operating costs aligns with this objective as it reflects the ACCC's findings that retailer costs have been declining as well as the assumption that an efficient retailer will continue to decrease its costs overtime.

The VDO is only one mechanism in a broader energy landscape however we believe its function as a safeguard for consumers is an important one. With energy costs forecasted to continue increasing in coming years we expect the ESC will continue to monitor whether the VDO is achieving this objective. Please reach out to [alice.g@energyconsumersaustralia.com.au](mailto:alice.g@energyconsumersaustralia.com.au) with any further questions.

Yours sincerely,



Jacqueline Crawshaw  
Director Energy Services and Markets

<sup>1</sup> Energy Consumers Australia, [Energy Consumer Sentiment Survey](#), December 2022.

<sup>2</sup> Essential Services Commission, [Victorian Default Offer 2023-24 Draft Decision Paper](#), March 2023.