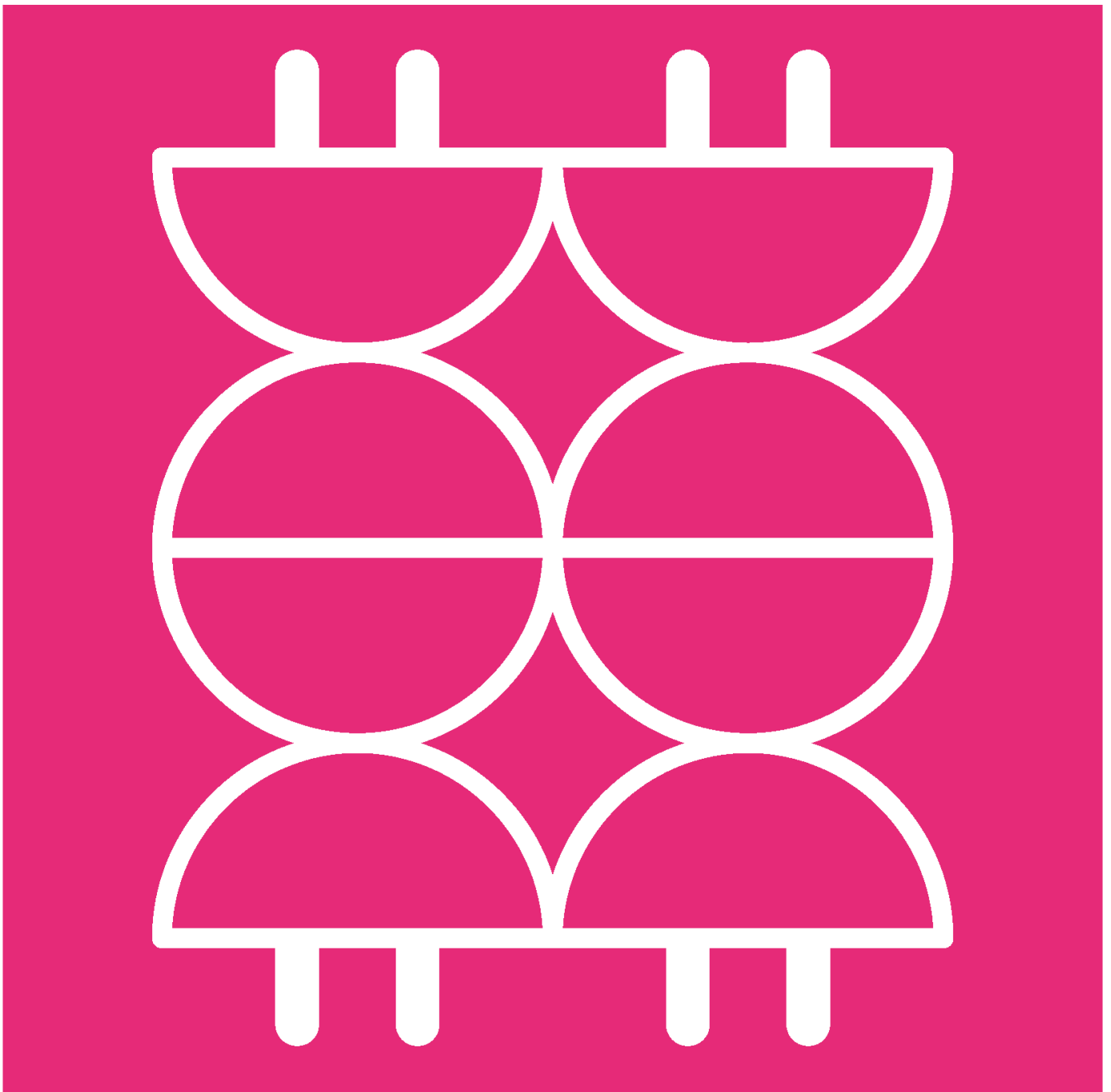


June  
2020

# Victorian Energy Market Report





**An appropriate citation for this paper is:**

Essential Services Commission 2020, Victorian Energy Market Update: June 2020, 30 June

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This Victorian Energy Market Update meets our reporting obligations under Sections 54V and 54W of the *Essential Services Commission Act 2001*, Section 39A of the *Electricity Industry Act 2000* and Section 47 of the *Gas Industry Act 2001*.

# Introduction

This update on the Victorian energy market reports data we regularly collect from January to March 2020. It also includes more recent data we have collected on the impact of the coronavirus on energy consumers.

This update provides a summary on:

- the impacts of the coronavirus on customers
- how we are proposing to help customers manage their bills during the coronavirus
- price of energy offers in the market
- new energy rules we have developed and are implementing
- disconnections of energy customers for non-payment
- how energy companies are complying and performing against their regulatory obligations
- newly licensed energy companies.

## Energy industry roundtables

We met with representatives from the energy industry, industry peak bodies, government, Victoria's community support and consumer advocacy groups throughout this quarter to discuss the energy sector and the effects of coronavirus on the Victorian community.



Roundtable events focused on energy disconnections and the emergence of a group of 'newly vulnerable' customers as key issues to address.

Many of the retailers confirmed a big increase in households and businesses seeking help with energy bills, with one of the major energy businesses saying call centre volumes increased 60 to 90 per cent following the coronavirus outbreak.

The prospect of short-term measures leading to long-term debt for households and small businesses was also identified as a key concern.

The commission also heard a united message from the sector that it is committed to supporting households and businesses at this difficult time.



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# 1. Analysis of the impacts of the coronavirus on energy customers

The commission is monitoring the impacts of the coronavirus pandemic on Victorian energy customers and the responses of energy businesses to customers experiencing increased financial distress and uncertainty.

## Assisting energy customers during the pandemic

During May 2020, there were more calls to energy retailers from customers about payment assistance. There was an average of 14,993 customers calling per week, compared to 10,460 per week in April (an increase of 43 per cent).

Since late April 2020, requests by energy retailers for disconnection of electricity and gas supply has been reduced to assist customers through the pandemic.

Figure 1.1 Number of customers who enquired about assistance

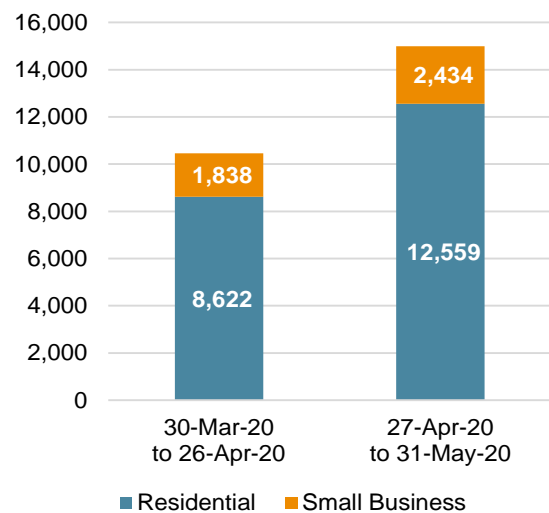
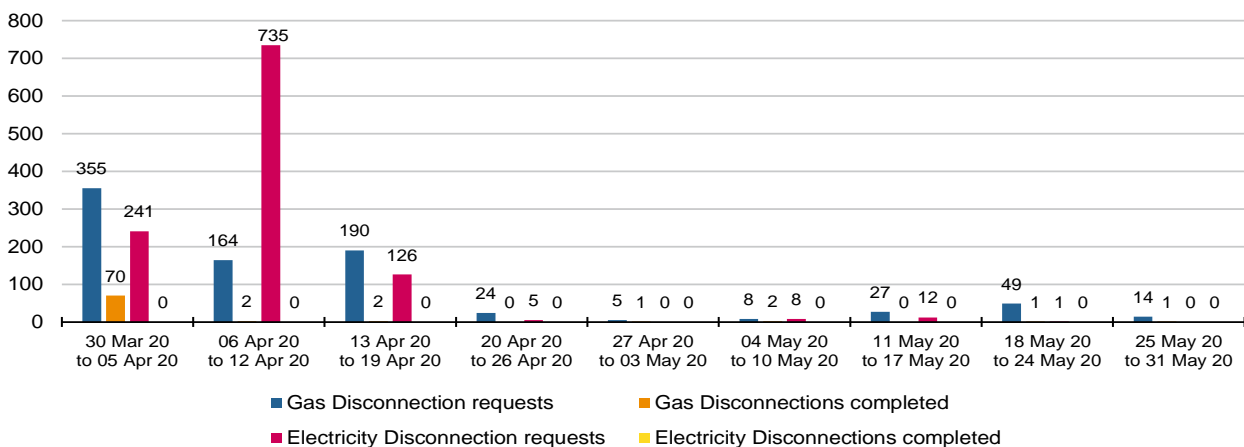


Figure 1.2 Number of requests for disconnections and disconnections completed<sup>1</sup>



<sup>1</sup> Gas data includes all disconnections types not just non-payment.

## Small business customers

At the end of May 2020, an estimated one per cent of Victorian small business energy customers were receiving assistance from their retailers (a total of 2,488 electricity and 684 gas customers).

The average arrears of these customers receiving payment assistance has been around \$1,100 for electricity accounts and has grown to \$1,400 for gas between March and May.

Figure 1.3 Number of small business customers on payment assistance

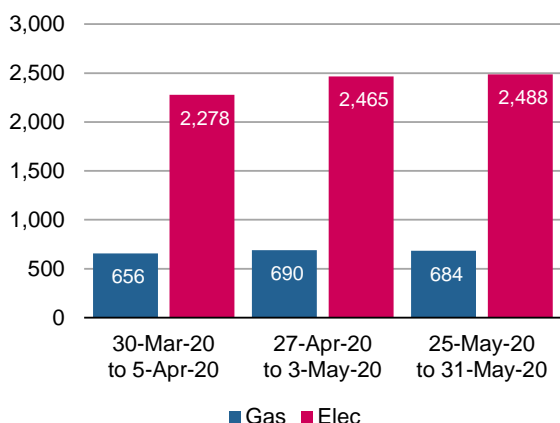
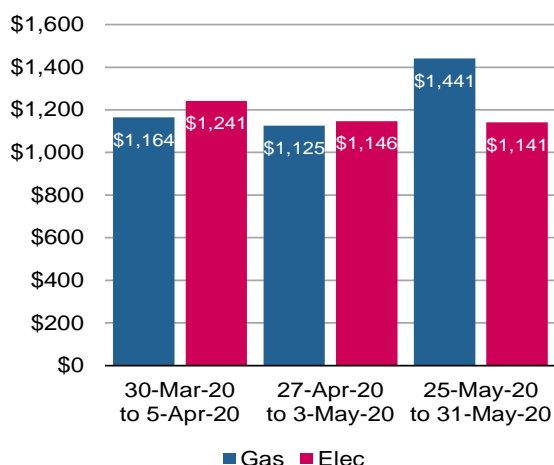


Figure 1.4 Average arrears of small business customers

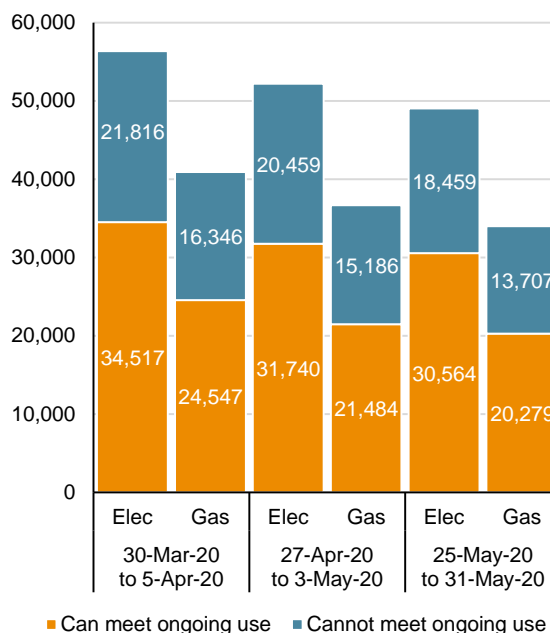


## Residential customers

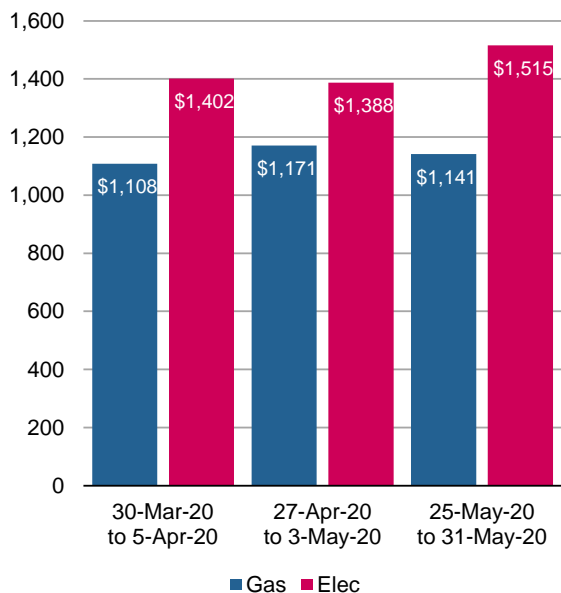
At the end of May 2020, around 49,000 electricity and 34,000 gas residential customers were receiving tailored assistance from their energy retailer. This is a decrease from 31 March 2020 to 31 May 2020 of 14 per cent for electricity and 18 per cent for gas. However, retailers are reporting more customers taking up payment deferrals, in some cases up to July 2020, and not tailored assistance (payment arrangement).

Since 30 March 2020, there has been an increase in average arrears for residential customers on tailored assistance who cannot pay their ongoing use (eight per cent for electricity and three per cent for gas).

Figure 1.5 Number of residential customers receiving tailored assistance



**Figure 1.6 Average arrears of residential customers receiving tailored assistance and cannot meet their ongoing energy use**

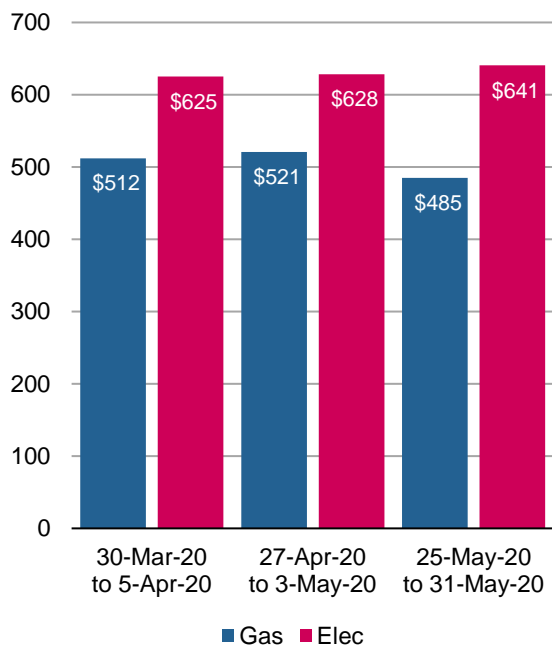


**Customer support measures**

Energy retailers reported to us they are offering customer support measures that include:

- suspending price increases
- freezing debt referrals to debt collection agencies
- extending payment terms and deferring payments
- honouring all pay on time discounts and no late payment fees.

**Figure 1.7 Average arrears of residential customers receiving tailored assistance and can meet their ongoing energy use**





## Supporting customers during the coronavirus

Following consultation with industry and community stakeholders, we have developed consistent minimum standards for residential and small business customers experiencing financial difficulties.

These measures are to support residential and small business customers in managing their energy bills through the pandemic.

We published our draft decision on 30 June 2020 and are seeking feedback from industry and the community.

Our draft decision proposes to:

- publish a guideline setting out how retailers must support customers applying for Utility Relief Grants
- make a temporary rule change requiring retailers to proactively offer tariff checks to all customers receiving tailored assistance
- introduce temporary minimum standards for entitlements that retailers must provide to small businesses in financial stress.

In our consultation, we are also seeking views on the voluntary package of support being provided by electricity and gas distributors in the form of network charge deferrals and waivers for retailers. We are interested in views on whether the package has worked as intended and whether anything further should be put in place after the voluntary package ends.

In the national framework, the Australian Energy Market Commission is currently consulting on the Australian Energy Regulator's rule change request to allow retailers to defer paying network charges for up to a further six months. As this rule change would not apply in Victoria, we are considering whether there is a need for a similar rule in Victoria after the voluntary package concludes at the end of June.

**More information on our draft decision is available on our website:**

<https://www.esc.vic.gov.au/supporting-energy-customers-through-coronavirus-pandemic-2020>



## 2. Price of energy offers in the market

We compared the price of energy offers, published on the Victorian Energy Compare website by retailers, at 31 March 2020 with those at 31 December 2019, and observed that prices have remained relatively stable. The prices published may not be what customer on pre-existing contracts pay but reflect the offers retailers make available for customers to switch.

### **Residential Energy Offers**

- The price of electricity market offers with guaranteed discounts increased by five per cent, although gas market offers remained stable.
- Electricity market offers with a guaranteed discount were generally cheaper than market offers with conditions such as 'pay-on-time'. The price of electricity market offers with no discounts increased by two per cent, although gas market offers decreased slightly.
- As of 31 March 2020, around 109,000 residential gas customers were on standing offers, which represents around 5.5 per cent of all residential gas customers.
- The price of these gas standing offers increased by two per cent. Retailers were permitted to change their gas standing offer prices on 1 January 2020.
- Residential gas standing offer prices are on average 19 per cent more expensive than market offers with no discount, or \$345 more per year.
- This is particularly high compared to electricity, where the difference between the Victorian Default Offer (which has replaced electricity standing offers and is a regulated price set by the commission) is only seven per cent more (\$112 more per year) than average market offers during the same time.

Figure 2.1 Residential customer annual bill estimates for energy offers

	Electricity		Gas	
	31 December 2019	31 March 2020	31 December 2019	31 March 2020
<b>Unconditional offers</b>				
Victorian Default Offer /Standard contract offer	\$1,406 <sup>2</sup>	\$1,517 <sup>2</sup>	\$1,803 <sup>3</sup>	\$1,843 <sup>3</sup>
(% change from 31 December 2019)		↑ 7%		↑ 2%
Market offers with no discount	\$1,374	\$1,404	\$1,504	\$1,498
(% change from 31 December 2019)		↑ 2%		↓ 0.5%
Market offer with a guaranteed discount	\$1,339	\$1,399	\$1,455	\$1,448
(% change from 31 December 2019)		↑ 5%		0%
<b>Conditional market offers</b>				
Discount market offers (where all discount conditions were met)	\$1,407	\$1,405	\$1,409	\$1,400
(% change from 31 December 2019)		0%		↓ 0.5%
Discount market offers (where all discount conditions were missed)	\$1,507	\$1,502	\$1,510	\$1,501
(% change from 31 December 2019)		0%		↓ 0.5%

The figures represented in the table are a simple average of all offers in the market, across all distribution zones. Based on typical residential customer using 4,000 kWh per year for generally available electricity offers (excluding offers with controlled loads) and 54.4 GJ per year for generally available gas offers. Figures include GST.

<sup>2</sup> This is a simple average of the Victorian Default Offer annual bill based on the Gazetted rates.

<sup>3</sup> For gas standing offers we only analysed offer where retailers had customers reported as being on standing offer as at 31 March 2020.

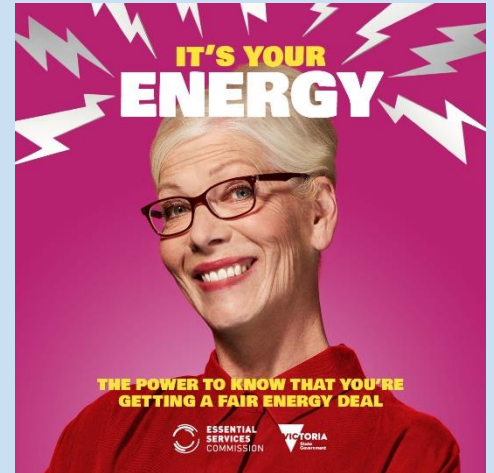
## It's your energy campaign

Following the introduction of the biggest reforms to Victoria's energy market in a decade, we launched our 'It's your Energy' campaign, aimed to empower and educate Victorians about their energy rights. With an initial phase that raised awareness of these energy rights, we have recently concluded the second phase of this campaign which seeks to deepen understanding of them.

In October, the campaign focused on the newly mandated 'best offer' information contained on electricity bills.

In April, at the height of the coronavirus pandemic, the focus shifted to the payment difficulty framework. June marked the anniversary of the introduction of the Victorian Default Offer. We used the campaign to remind consumers of their access to a fair and independently set price for electricity.

Energy bill stress can affect consumers at any time but has been amplified by challenges such as the coronavirus and summer bushfires. With further economic pressures expected to come, the commission is committed to empowering consumers to get the best outcomes for them from the energy market.



## Small business energy offers

- The price of market offers with no discount increased by five per cent for electricity and one per cent for gas.
- Discounted market offers decreased by one or two per cent for electricity.
- As of 31 March 2020, around 10,000 small business gas customers were on standing offers, representing around 15 per cent of all small business gas customers.
- Small business standing offer gas prices are on average 24 per cent more expensive than market offers with no discount (\$2,441 more per year).
- This is particularly high compared to electricity, where the difference between the Victorian Default Offer (which has replaced electricity standing offers and is a regulated price set by the commission) is only three per cent more (\$119 more per year) than average market offers during the same time.

Figure 2.2 Small business customer annual bill estimates for energy offers

	Electricity		Gas	
	31 December 2019	31 March 2020	31 December 2019	31 March 2020
<b>Unconditional offers</b>				
Victorian Default Offer /Standard contract offer	3,721 <sup>4</sup>	4,006 <sup>4</sup>	\$12,162 <sup>5</sup>	\$12,490 <sup>5</sup>
(% change from 31 December 2019)		↑ 7%		↑ 3%
Market offers with no discount	\$3,721	\$3,896	\$9,962	\$10,049
(% change from 31 December 2019)		↑ 5%		↑ 1%
Market offer with a guaranteed discount	\$4,009	\$4,069	\$9,586	\$9,562
(% change from 31 December 2019)		↑ 1%		0%
<b>Conditional market offers</b>				
Discount market offers (where all discount conditions were met)	\$3,811	\$3,780	\$9,645	\$9,741
(% change from 31 December 2019)		↓ 1%		↑ 1%
Discount market offers (where all discount conditions were missed)	\$4,154	\$4,065	\$10,205	\$10,297
(% change from 31 December 2019)		↓ 2%		↑ 1%

The figures represented in the table are a simple average of all offers in the market, across all distribution zones. Based on typical small business customer using 12,000 kWh per year for generally available electricity offers (excluding offers with controlled loads) and 500 GJ per year for generally available gas offers. Figures include GST.

<sup>4</sup> This is a simple average of the Victorian Default Offer annual bill based on the Gazetted rates

<sup>5</sup> For gas standing offers we only analysed offer where retailers had customers reported as being on standing offer as at 31 March 2020



## 3. Recent changes to the energy rules

We make sure the rules and regulations in the energy industry promote the long-term interests of consumers.

### Ensuring contract periods and practices are clear and fair

We are introducing new rules in the Energy Retail Code to ensure that contract periods, practices and variations are clear and fair for customers. The new rules come into effect on 1 July 2020 and will mean:

- retailers are only allowed to increase prices once a year
- any customer signing up to a new offer with a discount, credit or rebate will receive that benefit for the entire duration of their contract (for new offers taken up from 1 July 2020)
- retailers must advertise electricity offers with reference to the Victorian Default Offer, so customers can compare like-with-like
- pay-on-time discounts on new offers will be capped at a level set by the commission, so customers who miss a bill payment will not face a large increase in costs (for new offers taken up from 1 July 2020)
- retailers must honour pay-on-time discounts for customers receiving tailored assistance who miss a bill payment
- retailers must roll customers on fixed-term electricity contracts who do not choose another offer at the end of the contract onto the Victorian Default Offer.

### Life support protections

We have updated our electricity and gas codes to strengthen and clarify protections for Victorian customers who require life support equipment. The full protections for electricity customers came into effect in February 2020, and for gas customers will come into effect on 1 July 2020 (with transitional arrangements in effect until 1 July 2020).

### Changing the back-billing rules for retail energy customers

We are examining how to reduce the impact on consumers of back-billing, consistent with the Victorian Government's policy commitment to reduce the back-billing period to four months.

In February 2020, we published a draft decision that would amend the energy codes to reduce allowable back-billing by retailers from nine to four months in most circumstances and have sought stakeholder feedback.

#### Electricity Distribution Code review

The Code sets out requirements for distributors and customers for the safe and efficient delivery of electricity for Victorians.

We will be consulting on changes to the Code throughout 2020.

## 4. Disconnections for non-payment

From 1 January 2019, Victorian customers who are struggling to pay their energy bills can access more tailored assistance from their energy retailer. This includes different arrangements to pay their energy bills or debt. Customers should only ever be disconnected as a last resort.

### Slight uplift in customer disconnections in the last quarter

During January–March 2020, there were 8,106 residential energy and gas disconnections resulting from customers not paying their energy bill, an increase of seven per cent compared to the same period in the previous year. However, when compared to the same period in 2018 (January to March 2018), there was a reduction of 41 per cent in disconnections.

Since 1 July 2019 there has been 3,318 fewer disconnections (11 per cent less) compared to the same period last year (1 July 2018 to 31 March 2019). This difference is even greater when compared to July 2017 and March 2018 period with 13,098 less disconnections (33 per cent less).

Figure 4.1 Residential disconnections for non-payment, per quarter

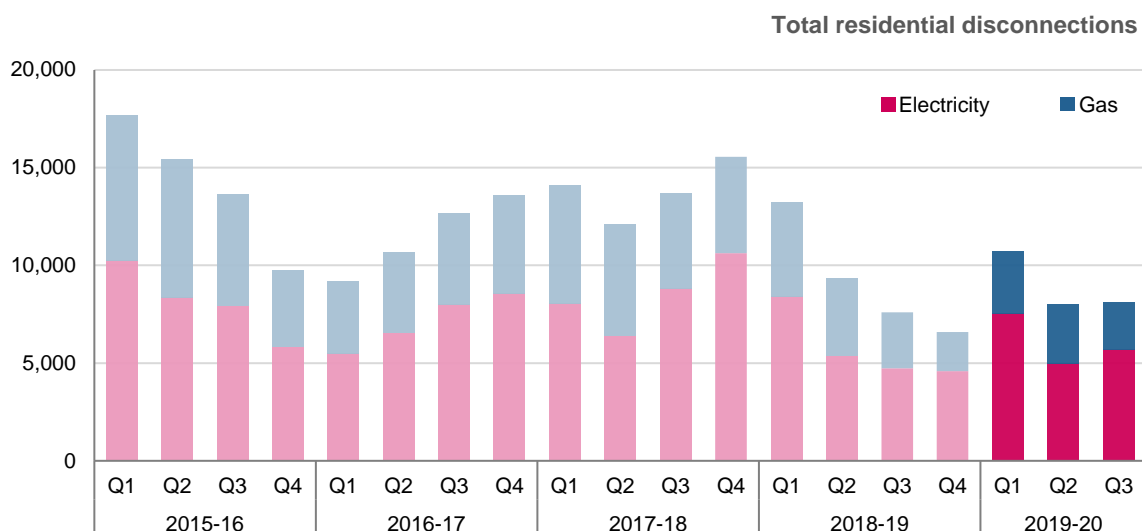


Figure 4.2 Quarterly residential disconnections for non-payment

Financial year quarter	Electricity					Gas				
	2015–16	2016–17	2017–18	2018–19	2019–20	2015–16	2016–17	2017–18	2018–19	2019–20
Jul-Sep	10,255	5,476	8,036	8,399	7,540	7,420	3,706	6,058	4,821	3,167
Oct-Dec	8,345	6,543	6,372	5,363	4,981	7,113	4,092	5,740	3,959	3,021
Jan-Mar	7,928	8,010	8,796	4,731	5,690	5,703	4,669	4,911	2,860	2,416
Apr-Jun	5,832	8,560	10,620	4,584	-	3,914	5,027	4,941	2,012	-
<b>Total (year to date)</b>	<b>32,360</b>	<b>28,589</b>	<b>33,824</b>	<b>23,077</b>	<b>18,211</b>	<b>24,150</b>	<b>17,494</b>	<b>21,650</b>	<b>13,652</b>	<b>8,604</b>

## 5. Compliance with the energy rules

Licensed energy retailers, distributors, transmitters, and generators operating in Victoria must abide by the Victorian energy rules. We regulate the energy market by promoting and enforcing compliance with the rules. When we identify poor performance or potential breaches of the rules, we act to protect customers and deter future non-compliance.

### **Alinta Energy pays \$280,000 for allegedly switching customers without their consent**

In March 2020, Alinta Energy paid 14 penalties totalling \$280,000 for again using door-to-door sales agents to switch Victorians to new energy contracts without their consent.

Between March 2018 and March 2019, three different groups of sales agents acting on behalf of Alinta Energy engaged in fraudulent behaviour, impersonating customers in phone calls to sign them onto new energy contracts.

Energy retailers are required to obtain a customer's explicit informed consent before signing them up to a new contract and transferring them. This is the second time in two years Alinta Energy has been penalised for failing to comply with this requirement.



### **Amaysim Energy pays \$600,000 for alleged sales agent fraud**

In April 2020, Amaysim Energy (also trading as Click Energy) paid 30 penalties totalling \$600,000 after a sales agent allegedly faked customer details to sign them up without their consent.

An Amaysim Energy sales agent entered 19 customer's details into an online form without their permission, to sign them onto new energy contracts. Amaysim Energy detected the high number of sales being processed by the responsible agent but proceeded to transfer and bill them anyway.

Retailers are responsible for their sales agent's actions and we have made it a priority in recent years to stamp out this kind of fraudulent conduct.



## Wrongful disconnections

The Victorian energy rules sets out provisions for when a customer can be disconnected from their energy supply. Wrongful disconnections must be reported to us and in most cases, the retailer must compensate the customer.

Between January–March 2020, retailers reported to us they had wrongfully disconnected 230 customers. This was 93 per cent more than January–March 2019 (an increase of 119 customers). It was mostly driven by Momentum, which reported 146 affected customers in March 2020. One hundred and thirty-six of these relate to disconnections that occurred between March 2018 to September 2019.

Retailers paid \$333,955 to affected customers, 33 per cent more than the same period in 2019.

## Wrongful disconnection disputes referred to us

- In some cases, where the customer and retailer cannot resolve a disconnection dispute, the case is referred to Energy and Water Ombudsman. If the ombudsman and retailer are unable to agree on whether a disconnection was wrongful, the matter may be referred to us.
- The commission did not resolve any wrongful disconnection disputes between January and March 2020.



### Disconnection dispute referral: Lumo Energy and Customer G

In April 2020, we decided on a disconnection dispute involving Lumo Energy that was referred to us by the Energy and Water Ombudsman.

We found that Lumo Energy wrongfully disconnected the customer's gas supply as they were required to resolve the customer's complaint before proceeding with the disconnection.

Lumo Energy was required to pay the customer compensation of \$18,757 for the 37 days, 12 hours, and 20 minutes they were without gas.

Figure 5.1 Self-reported wrongful disconnections and payments

Retailer	Total amount paid during the quarter			Total customers affected		
	Jul – Sep 2019	Oct – Dec 2019	Jan – Mar 2020	Jul – Sep 2019	Oct – Dec 2019	Jan – Mar 2020
AGL	\$52,266	\$26,383	\$55,408	26	20	20
Energy Australia	\$8,522	\$8,034	\$13,605	20	8	8
Origin Energy	\$11,808	\$6,898	\$9,975	6	7	7
Lumo Energy	\$8,151	\$88,746	\$161	7	8	2
Red Energy	\$4,614	\$68,389	\$1,246	9	20	3
Simply Energy	\$2,673	\$9,628	\$11,143	2	9	13
Alinta Energy	\$7,101	\$4,015	\$9,445	3	3	12
Dodo & Commander (M2 Energy)	\$10,767	\$1,119	\$0	4	3	-
Momentum	\$11,822	\$9,007	\$223,366 <sup>6</sup>	4	8	146
Powerdirect	\$512	\$0	\$0	1	-	-
Powershop Australia	\$527	\$822	\$6,235	1	4	9
1st Energy	\$16,153	\$0	\$0	1	-	-
Blue NRG	\$500	\$0	\$0	1	-	-
CovaU	\$3,186	\$2,973	\$0	1	1	-
Tango (Pacific Hydro)	\$37	\$642	\$3,324	1	3	8
Sumo Power	\$5,315	\$559	\$46	15	4	2
<b>Total</b>	<b>\$143,954</b>	<b>\$227,214</b>	<b>\$333,955</b>	<b>102</b>	<b>98</b>	<b>230</b>

Figures may not add up precisely due to rounding. Excludes wrongful disconnections disputes that were referred to us. July–September and October–December figures have been updated since our last update due to retailers' amendments.

<sup>6</sup> These payments relate to disconnections that occurred between March 2018 to September 2019.

## 6. Auditing energy businesses

We audit energy businesses to help us understand how energy businesses are complying with rules designed to protect consumers. If we detect problems through our audit program, we can investigate further and may take enforcement action.

Between January and March 2020, we reviewed draft audit reports and have been working with auditors to obtain further clarity around their observations. The following audit reports are nearing completion:

- Audits of five electricity distributors on their compliance with smart meter data obligations including a report about their estimated smart meter data practices.
- Audit of 1st Energy's compliance with requirements to transfer customers with consent.

**More information on the audit program is available on our website:**

<http://www.esc.vic.gov.au/energy-audits>.



### Compliance program update

In response to the emerging impact of the coronavirus pandemic on the energy market, we reshaped the scope and delivery of our 2020 compliance program.

In April 2020, we put the more comprehensive audits of Simply Energy, Alinta Energy, EnergyAustralia and AGL on hold. We were mindful that energy retailers needed to prioritise customer support services during this time. To minimise the regulatory burden on energy retailers, we used different compliance tools, such as a lighter touch 'pulse check'.

The pulse check targets regulatory requirements aimed at supporting customers experiencing vulnerability, such as payment difficulty and family violence, during this time.

The pulse check was issued to 25 energy retailers on 4 May 2020 and asked them to self-assess compliance and provide information to support their self-assessment.

We expect to release the results of the pulse check in the September 2020 quarter.

## 7. Newly licensed energy companies

Anyone generating, transmitting, supplying, or selling electricity; or supplying or selling gas to retail customers in Victoria must hold a licence granted by us, or be exempted from this requirement.

From 1 January to 31 March 2020, we issued three electricity generation licences, and one electricity wholesale licence.

### New electricity generators

We issued generation licences to:

- Dundonnell Wind Farm Pty Ltd
- KSF Project Nominees Pty Ltd (as trustee for KSF Project Trust)
- Cohuna Solar Farm Pty Ltd (as trustee for the Cohuna Solar Farm Trust).

### New electricity wholesale licence

We issued an electricity wholesale licence to:

- Enel Energy Australia Pty Ltd.

### New licence applications

Between 1 January 2020 and 31 March 2020, we received requests for licences from three applicants, including:

- two electricity retail licences
- one electricity generation licence.

### Licensing since end of March 2020

Since 31 March 2020, we have issued three more licences, including:

- two new electricity generation licences
- one new gas retail licence.



Figure 7.1 Location of new licences for electricity generation in Victoria: January to March 2020

