

Minutes

Retail Market Review – Stakeholder Reference Group Meeting #17

Date and Time: Tuesday 17 September 2019, 9:30 am – 11:00 am

Location: Brussels Room, Dialogue Conference Centre, 50 Lonsdale Street, Melbourne VIC 3000

Present:

Name	Organisation
Ben Barnes	AEC
Elizabeth Molyneux	AGL
David Bryant	Brotherhood of St Laurence
Jake Lilley	CALC
Aaron Yuen	ESC
Sugi Sivarajan	ESC
Sean Crees	ESC
Sophia Dong	ESC
Zac Gillam	EWOV
Larissa Nicholls	Monash University
Phil Gardiner	Onsite Energy Solutions
Bryn Dellar	Onsite Energy Solutions
Michael Beneviste	Powershop
Geoff Hargreaves	Red Energy
Brooke McKail	VCOSS
Anna Shultz	AER (observer)
Andrew Cooney	DEWLP (observer)
Nathan Crombie	DEWLP (observer)

Agenda items

1.1. Welcome and general update

- VDO draft decision is due to be released shortly and open for stakeholder submissions

1.1.1. Draft decisions for the Compliance and Performance Reporting Guideline

On Friday 13th September, the draft decision for the Compliance and Performance Reporting Guideline was released. As per our recent forum, the draft guideline:

- clarifies definitions for data being reporting to us from retailers
- updated to include reporting obligations related to recent reforms (recommendation 3 and VDO)
- proposed removal of indicators that are no longer in use.

Questions/comments from stakeholders

With a final decision planning to be released in November and implementation on 1st January 2020, retailers noted the potential difficulty to implement new reporting changes in 6 weeks especially during the holiday period. Retailers suggest that for future reforms, that final decisions could set out draft reporting obligations, to allow for more time for implementation.

Retailers also observed a large number of new type 1 obligations proposed, and seek further reasons for these being classified as a type 1 obligation.

Members agree that clearer definitions will ensure consistent reporting across industry.

1.2. Competitiveness review

1.2.1. Considerations for our approach to consultation

We have received Terms of Reference from the Victorian Government regarding assessing and monitoring the competitiveness and effectiveness of the Victorian energy retail market.

- Given the context of the number of reviews out there, we intend to develop a framework to set out the scope of our review. We also intend to develop a broad framework that is flexible and agile, rather than determining specific metrics (that risk being less relevant or require change over time).
- We intend to use a consultative approach in developing this framework. As a first step, the commission intends to host a public forum that seeks early stakeholder considerations through panel sessions and facilitated discussions. We are also proposing a selection of economists and experts to present in their views to set the basis for discussion. We aim to find the right mix and balance of views with experts from a range of economic principles,

location of expertise and relevance to a Victorian context, previous experience in energy market and other industries.

- Immediately following the forum, we aim to distil the feedback from stakeholders and publish a high-level draft framework for further consultation.

Questions/comments from stakeholders

Members suggested the commission set an appropriate scope and objective of a Victorian competitiveness review. Members expressed a potential risk that the feedback from the forum would be too broad and lead to a range of disparate ideas, or that ideas discussed may not directly relate to the Victorian context especially considering the range of changes to the retail market made in July.

- We note the concerns, and aim to narrow down the panel and scope of the forum to ensure discussions are useful and impactful. Our aim is that experts will be able to provide views on what the scope should be for the framework.

Does the Commission aim to develop a draft framework from the forum with a broad scope?

- We intend to develop a framework that is broad but able to lead to meaningful reporting from 2020. We also intend to develop a broad framework that is flexible and agile, rather than determining specific metrics (that risk being less relevant or require change over time).

Who will be the experts/economists? Will there be anyone with a background in behavioural economics or technology?

- We are open to any suggestions of potential experts, including both internationally and locally, a balanced group of individuals from various backgrounds who have had experience in this space. We also aim to have industry and consumer representation in the panel discussions to ensure a range of views are heard.
- Names suggested by members included: Tony Wood, Bruce Mountain, Paul Simshauser, Danny Price, Lauren Solomon, BI Team, Rosemary Sinclair, Dan Cass, Stephen Littlechild, Cynthia Gebert, Gerard Brody, David Byrne.

Will the Victorian government tell us what they expect and want from the competition review?

- The Terms of Reference sets out what we should consider as part of the review.

How else could the framework be developed?

- The forum in a way acts as an issues paper for us to gather the range of views of stakeholders. Otherwise, the commission would go straight into a draft decision.

Members suggested the framework include a clear set of principles to review changes to the market and whether or how the commission could intervene or not. The commission's review and reports could be used to guide whether future regulatory reform.

- We recognise how the framework and review could provide context to in making meaningful regulatory reform decisions.

1.3. Clear and fair contracts

1.3.1. Update

- The issues paper was released in June and all received submissions are all online.
- Since then we've issues notices of data requests to all the relevant retailers for analysis
- We intend to release out draft decision paper in late October

Questions/comments from stakeholders

Members noted that the data being produced as a result of the data requests may only produce a snapshot of the market. In particular, the data largely captures the market prior to 1 July 2019, and only a small time post 1 July 2019. What will the commission do with this data?

- The data will give us a sense of the existing contracts that customers are on with their retailers – this will provide context and background when considering recommendation 4. We will also need to review the full set of data provided by the market, to understand how far the data can be used.

Retailers have noted some instances where customers do not trust the best offer prices. Members suggested the potential need to conduct further testing with consumers to understand how they engage with the market and what they want from the energy market.

1.3.2. Developing a Victorian gas reference price

- Most submissions to the issues papers supported a gas reference price (both from representatives of consumer groups and retailers). We are considering this option, and other issues to consider, such as the existing electricity reference price mechanism in Victoria.

Questions/comments from stakeholders

Members provided mixed views on who should be responsible for setting such a reference price – retailers suggested a possible industry-set mechanism, while consumer groups preferred an independent body such as the commission to set such a mechanism.

Members note that there is a tradeoff between the accuracy and the simplicity of the reference price and the importance of understanding what customers value when creating the price.

Members are concerned with effective marketing of reference prices. Retailers want to make sure that presentation of offers do not mislead the consumer but on the other hand it makes it difficult for the customer to understand what the reference price means.

Members note that it is important to understand particular difficulties relating to gas retail offers, such as the implications of more sub-supply zones (compared to electricity).

- We intend to consult further on the presentation of gas offers with respect to discounts, such as through a gas reference price. A possible technically-focused workshop is being planned for further stakeholder feedback.

1.4. Other

1.4.1. Any other business

- No other business

Appendix A - Agenda

No.	Item	Presenter	Duration
1	Welcome & general update		
	<ul style="list-style-type: none">Update and discussion on draft decisions, particularly the Compliance and Performance Reporting Guideline and indicators relating to the 1 July reforms	Aaron Yuen (Chair)	15
2	Competitiveness review		
	<ul style="list-style-type: none">Discussion on considerations for our approach to consultation (see attachment A)	Aaron Yuen (Chair)	30
3	Clear & fair contracts		
	<ul style="list-style-type: none">Update	Aaron Yuen (Chair)	5
	<ul style="list-style-type: none">Discussions on considerations in developing a Victorian gas reference price	Aaron Yuen (Chair)	30
4	Other		
	<ul style="list-style-type: none">Any other business	All	10

Attachment A

The Victorian government has requested the commission to monitor and report on the competitiveness and efficiency of the Victorian energy retail market – recommendation 8A of the Independent Review of the Electricity and Gas Retail Markets in Victoria.

The commission aims to undertake a consultative approach in developing a framework for this purpose, and are seeking the views of a range of interested stakeholders. We are particularly interested in insights from economists, energy experts and approaches by other regulators.

Background and context

Several recent high-profile reviews have found that the Victorian energy retail market is not providing the desired outcomes for all customers, with many having negative experiences which has led to a loss of trust and confidence in the energy industry. Since 1 July 2019, a number of reforms have been introduced into the Victorian energy retail market, including:

- The introduction of the Victorian Default Offer, a simple, trusted and reasonably priced electricity option that safeguards consumers unable or unwilling to engage in the electricity market.
- A range of changes in how retailers inform customers about what they are offering, including entitlements to clear advice when considering an energy offer; information about the retailers' best offer on energy bills; easier to understand offers with standardised Victorian energy fact sheets; and prior warning of changes to energy bills.
- Strengthening the framework for the protection of vulnerable customers who may be experiencing payment difficulties (or family violence from 1 January 2020).

Further reforms are also being considered to ensure contract periods, practices and variations are clear and fair.

A possible consultative approach

The commission aims to develop a framework for assessing the competitiveness and efficiency of the Victorian energy retail market, by taking a consultative approach with our stakeholders.

The commission aims to host a **public forum** to hear from a broad group of experts about their perspectives, in an environment where they can be challenged by each other and a broader stakeholder group.

The forum is planned for late October 2019 and may include:

- A selection of respected economists and energy experts to prepare a paper and present it at the forum. The papers will broadly provide perspectives on how they would undertake the task of assessing the competitiveness and efficiency of the Victorian energy retail market.

- A panel session comprised of stakeholders, including consumer advocates, industry, regulators, commentators and policy makers. The panel session will provide an opportunity to hear from a broad group of experts about their perspectives, in an environment where they can be challenged by each other and members of the panel.
- Facilitated activities with participants to provide early feedback for the commission's draft approach.

We aim to find the right mix of economists and experts, so that the views discussed on the day are fulsome, balanced and contemporary. We are considering a mix of the following:

- Economic philosophy and approach
- Location of expertise and relevance to the Victorian context
- Previous work and experience in energy markets

Developing the framework

The commission aims to take the views presented at the forum and develop a draft framework in November 2019. Stakeholders will be asked to provide their feedback on the draft framework, with this feedback helping to shape the final framework, which will be implemented from 2020.

We consider the framework to set out the scope and broad approach for review, focusing on key outcomes to measure, rather than a detailed list of indicators. This framework will need to be flexible and agile so that as more insights are gained from monitoring the market, different ways to assess and respond can be developed and implemented.