

# Victorian Default Offer from 1 January 2022

## Draft decision paper

### Submission received via Engage Victoria

Date submitted: 8 September 2021

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#### What do you think of our proposed approach to bad debt allowance?

Why is it necessary for the majority of customers to support a bad debt charge when it is the commercial responsibility of providers to make their own provisions for bad debt?

It would appear that the ESC is securing costs for the retail/wholesale suppliers in a free market.

The bad debt provisions are yet another example of the suppliers minimising their costs and maximising their profits through the ESC mechanisms. These mechanisms should be reviewed in the light of a free market where retailers take responsibility for debt.

#### What are your views on our approach to the forecast period for wholesale electricity costs?

Forecast period for wholesale electricity cost should be best practice long term cost of National supply based on two key components – fuel cost and non-fuel cost.

In Australia we supply coal and gas from domestic sources thus fuel costs are relatively stable over time based on long term contracts. Solar and battery are effectively capital costs and should not figure in any short term forecast as they are long term investments.

The non-fuel cost is the cost of generating and delivering electricity to homes. as :

Power Generation Cost<sub>SEP</sub>

This covers mainly the costs of operating the power stations, such as the manpower and maintenance costs, as well as the capital costs of the stations and fuel over the life cycle of operation ( 20-30 years)

Network Costs<sub>SEP</sub> This is to recover the cost of transporting electricity through the power grid.

**What are your views on our approach to Victorian Energy Upgrades costs?**

Victorian energy upgrade costs are an artificial construct to meet Government Policy and should not be a factor in determination of wholesale electricity costs.

**What do you think about our proposal to set the 2022 Victorian default offer regulatory period to six months?**

The six month regulatory period should be a review of the efficiency and productivity of long term prices for generation and network costs - definitely not a mechanism for constant retail/wholesale pricing change