

# Victorian Default Offer Draft Decision

Applying from 1 July 2024

28 March 2024



# Acknowledgement of Country



*Dill-ba-din Balluk Biik* – Protect Community and Country  
Artist: Simone Thomson

# Welcome



Please mute your microphone



This public forum is being recorded  
(including questions and comments)  
and will be published on our website



Use the Q&A for questions

## Our approach today

We're keen to hear from you

We will engage on matters you'd like to explore further

Please make submissions via Engage Victoria:

Due date - 19 April



# Today's agenda

Time	Item and speaker
10:30 am	Introductions – Kate Symons, Commission Chair
10:40 am	Our draft decision – Dean Wickenton, Director – Water and Energy Pricing
10:50 am	Presentation from Consumer Action Law Centre – Stephanie Tonkin, Chief Executive Officer
11:05 am	Presentation from Australian Energy Council – Jo De Silva, General Manager Retail Policy
11:20 am	Questions and discussion – Marcus Crudden, Executive Director – Price Monitoring and Regulation
12:00 pm	Closing – Kate Symons, Commission Chair

# Supporting customers

- While the draft Victorian Default Offer is lower than the current prices, we recognise the continued impact of prices amid broader cost-of-living concerns.
- Uphold the rights and protections of energy consumers as the impacts of higher wholesale energy prices are front of mind, as market prices flow through to retail markets and consumer energy bills.
- Encourage customers to compare energy offers via the Victoria Energy Compare website – majority of market offers are below Victorian Default Offer.
- Encourage customers to contact their retailer about payment plans, available concessions, rebates, grants.

# Retailer obligations and compliance

- Obligations to support customers under the Energy Retail Code of Practice and payment difficulty framework.
- Best offer information on energy bill statements.
- Expect retailers will work with customers to fulfill these obligations – update of concession, help with utility relief grant obligations, referrals to other assistance.
- Key focus of our compliance and enforcement activities.
- The draft decision applies to the Victorian Default Offer – changes in market offers should not be linked to the default offer.

# Our draft decision



# Draft decision on 2024-25 Victorian Default Offer

- Average annual bill for domestic customer down \$112 (-6.4%)
- Main reason for reduction is wholesale costs, partly offset by increases in other costs such as network and retail operating costs
- Methodology applied consistent with last year's decision

## Change by cost component – average domestic customer

Cost component	Annual change (\$)	Annual change (%)
Wholesale	-141	-22%
Network	34	6%
Retail operating costs	11	8%
Customer acquisition	1	3%
Environment	2	2%
Other costs (incl margin, GST)	-20	-33%
<b>Total</b>	<b>-112</b>	<b>-6.4%</b>

# Draft decision on 2024-25 Victorian Default Offer

On average, across all five distribution zones:

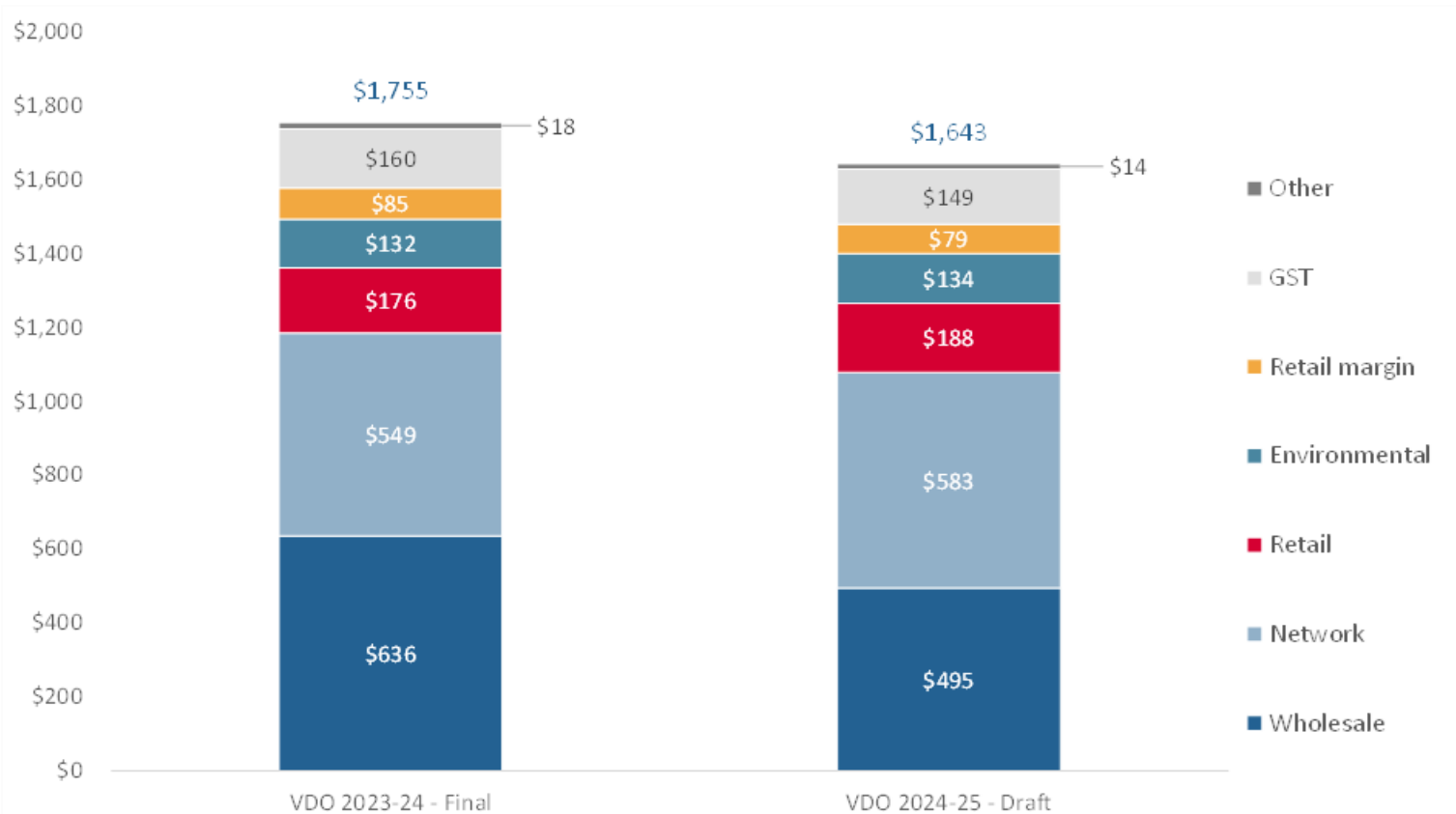
- typical annual domestic bills would decrease from \$1,755 to \$1,643 (a decrease of \$112) with 4,000 kWh usage
- typical annual small business bills would decrease from \$3,791 to \$3,525 (a decrease of \$266) with 10,000 kWh usage

# Draft decision on 2024-25 Victorian Default Offer

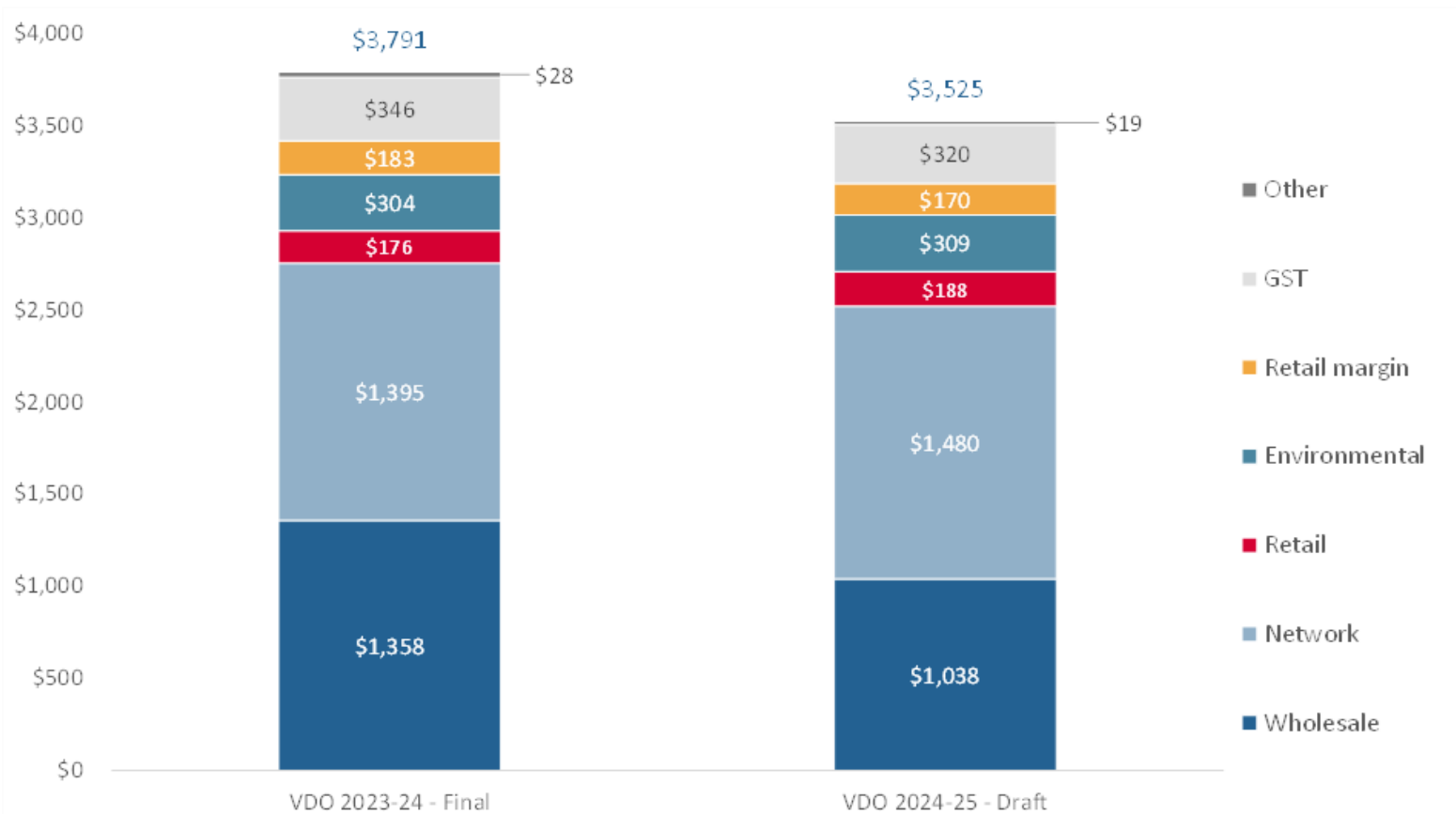
## By network zone – average domestic customer

	Ausnet	Citipower	Jemena	Powercor	United Energy	Average
2024-25	\$1,895	\$1,463	\$1,644	\$1,676	\$1,536	\$1,643
2023-24	\$2,026	\$1,571	\$1,720	\$1,793	\$1,666	\$1,755
Change	-6.5%	-6.9%	-4.4%	-6.5%	-7.8%	-6.4%

# Draft decision – domestic flat tariff with 4,000 kWh usage



# Draft decision – small business flat tariff with 10,000 kWh usage

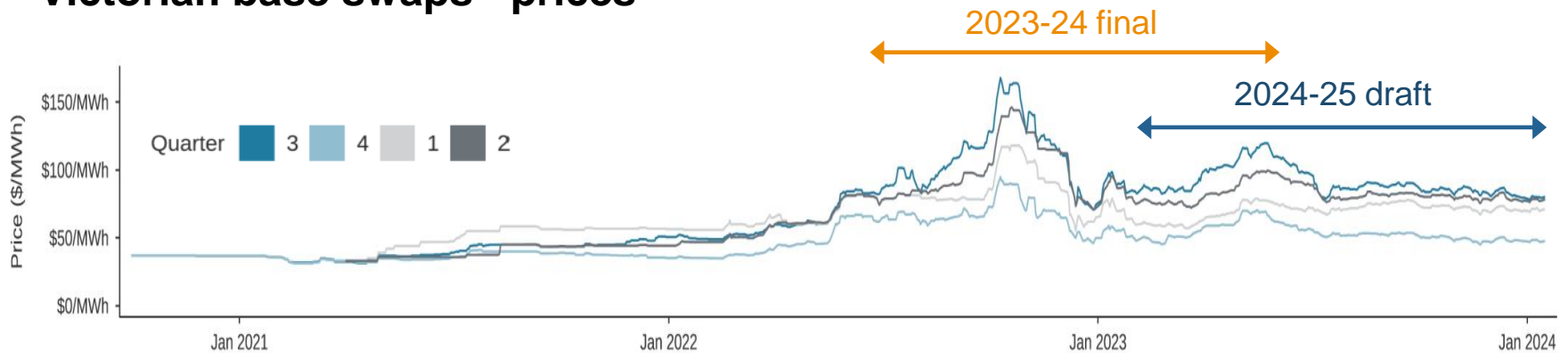


# Overview of (selected) parts of the cost stack

## Wholesale

- Key driver of reduction in wholesale cost benchmark is changes in the futures contract prices we use
- For final decision, we will update 12-month reading period to 26 April (from 16 January used in draft)

## Victorian base swaps - prices



Source: Frontier Economics, Wholesale electricity costs for 2024-25 – draft report 21 February 2024

# Overview of (selected) parts of the cost stack

## **Network**

- This time, we have used indicative network tariffs for 2024–25 that network businesses submitted to the Australian Energy Regulator in February
- Final decision will use the tariffs approved by the Australian Energy Regulator

## **Modest costs for customer acquisition and retention**

- Pricing order requires us to include modest costs of customer acquisition and retention
- Approach unchanged – benchmark updated for inflation

# Overview of (selected) parts of the cost stack

## **Modest costs for customer acquisition and retention (cont) ...**

- Benchmark plays multiple roles – comparisons in competitive market and cap for embedded networks
- Our position is that an efficient price benchmark that is broadly available and used as comparator price, should include an amount for these costs

## **Retail operating margin**

- Unchanged on 2023-24 rate of 5.3 per cent
- Cross checked other regulators and actual returns



# 2024-25 Victorian Default Offer review timeline

## Approach

- ✓ Request for comment paper: 2 November 2023
- ✓ Submissions closed: 14 December 2023

## Draft decision

- ✓ Draft decision paper: 19 March 2024
- ✓ Public forum: 28 March 2024
- Submissions close: 19 April 2024

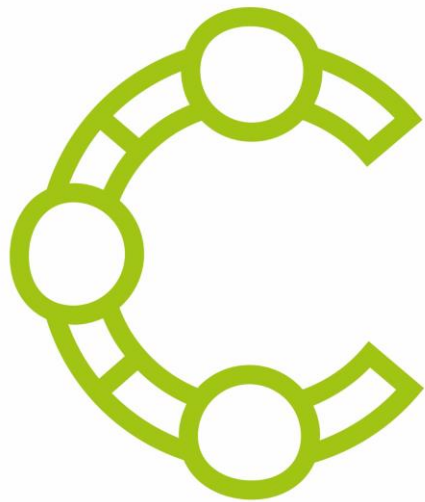
## Final decision

By 24 May 2024

## 2024-25 Victorian Default Offer

New prices in effect: 1 July 2024

# Stephanie Tonkin, CEO, Consumer Action



consumer  
action  
law centre

Please contact us for further questions,  
comments or discussion!

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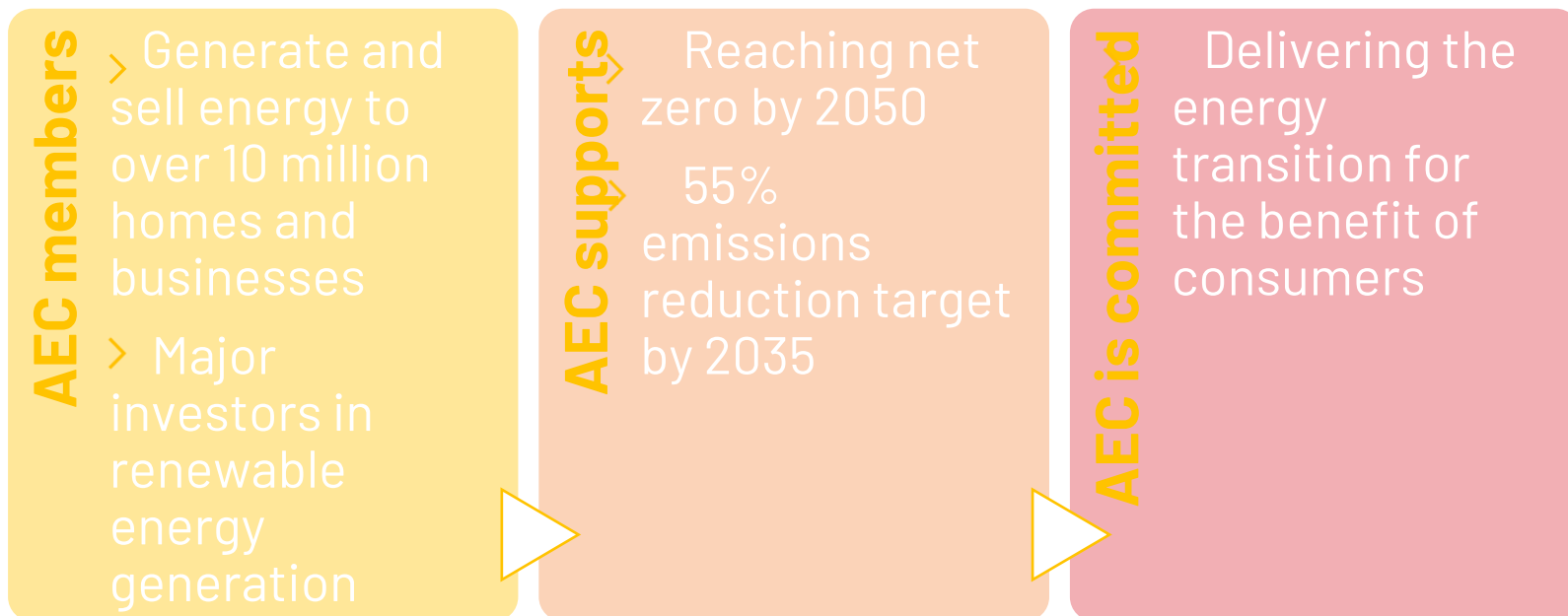
consumer  
action  
law centre

# Victorian Default Offer 2024-25

Jo De Silva

28 March 2024





**Peak body for electricity & downstream natural gas businesses operating in the competitive wholesale & retail energy markets**



WE'RE BRINGING  
BACK THE SEC.



Start



Your energy profile



Consumption



Available Offers



Compare Offers



Contact Retailer

## Welcome to Victorian Energy Compare

[Frequently Asked Questions](#)

An independent Victorian Government energy price comparison site

To get the most out of this tool, you need a recent energy bill or smart meter data file.

 [In your language](#)

## Get started

What are you looking to compare?



Electricity Offers



Gas Offers



Solar Savings

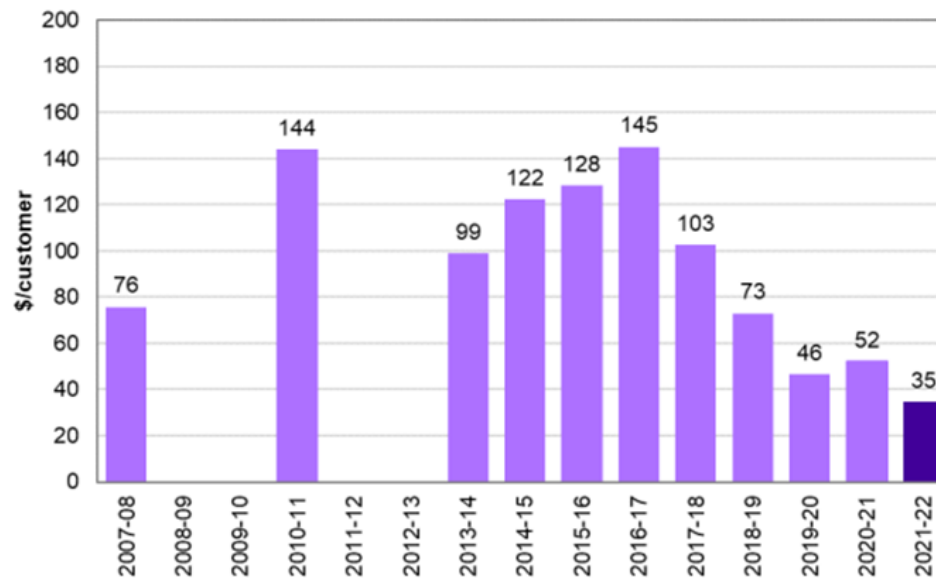


To compare both electricity and gas select an energy type on this screen and then add the other energy type when you get to the Available Offers screen.

Source: <https://compare.energy.vic.gov.au/>

**Figure 4.5: Retail margins in 2021–22 declined to the lowest on record**

*Average retail margins (as earnings before interest, tax, depreciation and amortization or EBITDA) per residential customer across the NEM, 2007–08 to 2021–22, real \$2021–22, excluding GST*



Source: ACCC analysis based on retailers' data.

Source: ACCC (2022) Inquiry into the National Electricity Market - November 2022 Report at <https://www.accc.gov.au/about-us/publications/serial-publications/inquiry-into-the-national-electricity-market-2018-25/inquiry-into-the-national-electricity-market-november-2022-report> p.73

*“While wholesale prices have subsided since a peak in 2022, the market remains vulnerable to supply or demand shocks. Reliability issues with coal-fired generation assets and managing the increasingly peaky shape of customer demand could also put upward pressure on wholesale costs.”*

Australian Energy Regulator,  
State of the Energy Market 2023



# Each actor playing their role in the system is, more than ever, important to maintain system stability



The role of the regulator is to set a determined price in line with the VDO objectives

It is not their role to adjust their assessment based on a view of affordability



Retailers have programs in place to support customers in circumstances of hardship



There are other community-based and government support mechanisms – such as Energy Bill Relief



To the extent that support is required beyond these, it is the role of government to step in

# Cost components of an average electricity bill 2022-23



Source: <https://www.accc.gov.au/about-us/publications/serial-publications/inquiry-into-the-national-electricity-market-2018-25-reports/inquiry-into-the-national-electricity-market-report-december-2023>

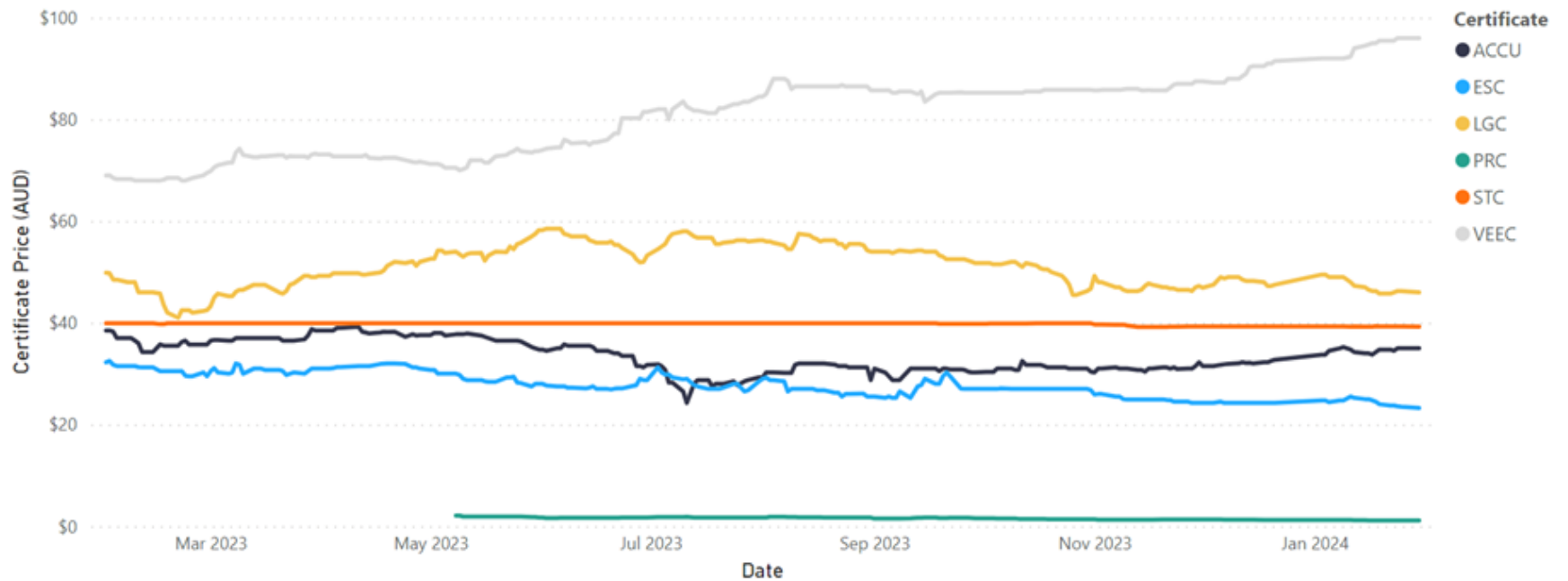
# Some key issues

- Unaccounted for Energy (UFE)
- Victorian network prices
- Retail operating margin
- Victorian Energy Efficiency Certificates (VEECs)



# Australian Wholesale Certificate Prices


Australian Wholesale Certificate Prices




Source: <https://northmoregordon.com/certificate-prices/>



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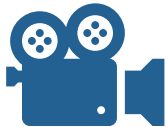
# Questions and discussion



Use the Q&A for questions



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The recording (including questions and comments) + slides will be published online

# Resources

- **Victorian Default Offer 2024-25: Draft Decision**
- **Victorian Default Offer 2024-25 draft decision fact sheet**
- **Energy bill support for Victorians: What you need to know**
- **Engage Victoria: Victorian Default Offer review 2024-25**
- **Energy Concessions & Benefits - Department of Families, Fairness and Housing**
- **'It's your energy'**
- **Contact: [VDO@esc.vic.gov.au](mailto:VDO@esc.vic.gov.au)**

## Next steps

- Draft decision paper available on commission website: [Victorian Default Offer price review 2024-25 | Essential Services Commission](#)
- Make submissions or comments via Engage Victoria – <https://engage.vic.gov.au/victorian-default-offer-review-2024-25>.

## Key dates

- Submissions on draft decision close on – 19 April 2024
- Final decision and determination – by 24 May 2024
- Victorian Default Offer takes effect – 1 July 2024



# 2024-25 Victorian Default Offer: Draft decision public forum

**SESSION COMPLETE**

**THANK YOU FOR YOUR ATTENDANCE**

