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Introduction

This is our third update on the Victorian energy market for 2018-19. It provides important information about the market largely covering April to June 2019.

This report provides an update on:

- disconnection levels of energy customers for non-payment
- compliance of energy companies with the energy rules
- outcomes from our public information campaign to help Victorians understand their entitlements in the retail energy market
- the feed-in tariff rates offered by retailers and
- newly licensed energy companies.

This 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.

Our commissioners

We are also pleased to announce that Kate Symons has been appointed as the Essential Services Commission's chair. She is joined by Simon Corden and recently appointed Sitesh Bhojani as our commissioners.

Kate Symons (Chair)

Kate was appointed chairperson (full-time commissioner) in September 2019 having previously served as a part-time commissioner since October 2016. As a lawyer with qualifications in public administration and corporate governance, Kate has experience across several sectors.

Kate has expertise in risk, compliance and governance issues. She acted as solicitor-assisting for the HIH Insurance Royal Commission, has held roles within the university sector and the Federal Court of Australia, and has

worked in private practice both in Australia and overseas.

Simon Corden

Simon was appointed a commissioner in April 2019. He is an expert in economics and social policy.

Mr Corden's previous roles include senior executive roles within the Victorian Department of Premier and Cabinet, the Department of Treasury and Finance, and the Victorian Competition and Efficiency Commission Secretariat.

From 2011 to 2018 he was the Director, Policy, Programs and Evaluation, Management Consulting at KPMG Australia.

Sitesh Bhojani

Sitesh commenced as a commissioner in September 2019. He is a barrister and is highly experienced in competition and consumer law.

Mr Bhojani's previous roles include practising law as a barrister with the Western Australian Bar Association, the New South Wales Bar Association and Victorian Bar. He was also a member and deputy chairman of the Competition and Consumer Committee of the Law Council of Australia.

Between 1995 to 2003 Sitesh was a commissioner at the Australian Competition and Consumer Commission.



1. Six months of lower disconnections

Energy disconnections between January and June 2019 have decreased by 53 per cent compared to the same six-month period in 2018. This is equal to 15,545 fewer disconnections.

During the 2018-19 financial year, there were a total of 36,265 disconnections of customers for not paying their energy bills – 35 per cent lower than the previous year (July 2017 to June 2018).

The reduction in energy disconnections coincides with the introduction of the payment difficulty framework on 1 January 2019. All Victorian energy retailers are required to implement the new framework, which aims to make it easier for customers to access help from a retailer if they are finding it difficult to pay their bill. This also means that customers should only ever be disconnected as a last resort for not being able to pay their bill.

Under the payment difficulty framework, 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.

We note that the reduction in disconnections has continued to occur across most retailers regardless of size. We will continue to monitor retailer performance related to disconnections, and the support they provide to customers.

Figure 1.1 Residential disconnections for non-payment, cumulative per quarter

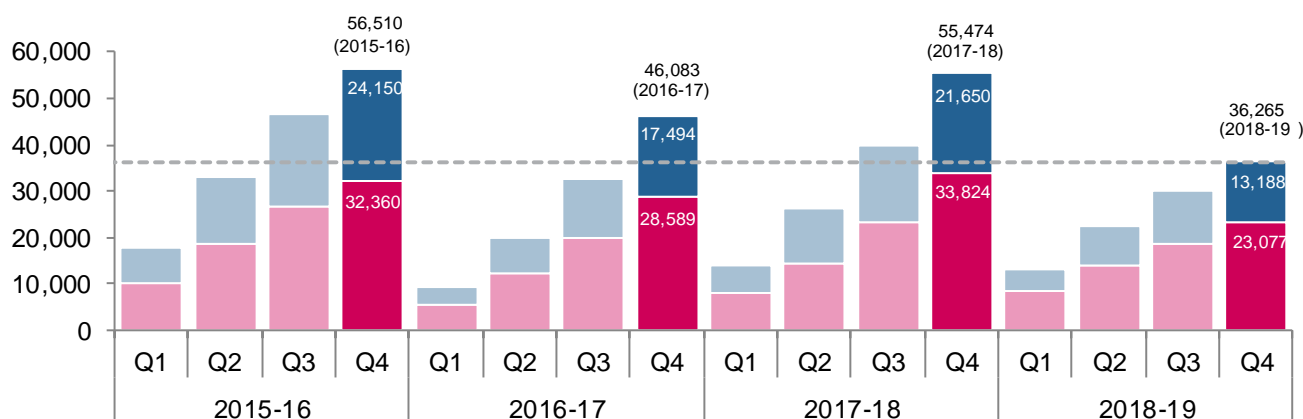


Table 1.1 Residential disconnections for non-payment, per quarter

Financial year quarter	Electricity				Gas			
	2015-16	2016-17	2017-18	2018-19	2015-16	2016-17	2017-18	2018-19
Q1: July to September	10,255	5,476	8,036	8,399	7,420	3,706	6,058	4,821
Q2: October to December	8,345	6,543	6,372	5,363	7,113	4,092	5,740	3,959
Q3: January to March	7,928	8,010	8,796	4,731	5,703	4,669	4,911	2,860
Q4: April to June	5,832	8,560	10,620	4,584	3,914	5,027	4,941	1,548
Total ((year to date))	32,360	28,589	33,824	23,077	24,150	17,494	21,650	13,188

2. Compliance with the energy rules

Momentum Energy to compensate disconnected customers over half a million dollars

More than 800 Momentum Energy customers will be entitled to compensation after we found that Momentum Energy failed to inform customers they could be disconnected remotely. Momentum Energy switched off the power of almost 850 customers between January and June 2018.

Warning notices provided to customers did not comply with the requirements of the Energy Retail Code because they did not let smart meter customers know that they could be disconnected without someone having to visit the property.

Around 250 of the affected customers were without power for more than a day, while 98 customers were disconnected for multiple days. A further 34 customers were disconnected for more than two weeks.

Momentum Energy has agreed to a court enforceable undertaking which requires it to make compensation payments to affected customers. It is also required to track and report to the commission on its progress in attempting to reach customers including former customers. It has also amended the warning notice to ensure it complies with the requirements of the code.

Enforceable undertakings are legally binding commitments given to us (and accepted by us) from energy businesses. If we think an energy business has not complied with the terms of an enforceable undertaking the commission can choose to take enforcement action in a court. These are an enforcement option available to the commission where there may have been a contravention of the energy rules.

Wrongful disconnections

The Victorian energy rules set out the conditions when a customer can be disconnected from their energy supply. When a retailer does not follow these rules and wrongfully disconnects a customer, they must report the breach to us. In most cases the retailer also must compensate customers for being wrongfully disconnected.

Between April and June 2019, retailers reported to us that they had wrongfully disconnected 66 customers (table 2.1). This is less than the 149 customers wrongfully disconnected during the same time the previous year (April to June 2018). Retailers paid a total of \$89,551 in compensation to affected customers between April and June 2019. This was 45 per cent lower than the same period in 2018. A breakdown of these payments is shown in table 2.1.

The commission also decided on three wrongful disconnection payments cases referred to us by the Energy and Water Ombudsman between 1 June 2019 and 30 August 2019.

Disconnection dispute referral case study



We recently decided on a disconnection dispute referred to us by the Energy and Water Ombudsman (Victoria).

The dispute was about the amount of compensation a customer was entitled to, after Dodo Power & Gas conceded that it had wrongfully disconnected the customer's gas supply. We found that the customer was entitled to \$63,060 of compensation – this was because she had informed Dodo Power & Gas that she was disconnected and was without a gas supply for 18 weeks.



Table 2.1 Reported wrongful disconnection payments between July 2018 and June 2019

Retailer	Total amount paid during the quarter				Total customers affected			
	Jul – Sep 2018	Oct – Dec 2018	Jan – Mar 2019	Apr – Jun 2019	Jul – Sep 2017	Oct – Dec 2017	Jan – Mar 2018	Apr – Jun 2019
AGL	\$59,482	\$85,756	\$133,028	\$19,384	32	45	29	11
Energy Australia	\$16,985	\$90,035	\$2,272	\$17,925	24	17	7	14
Origin Energy	\$2,220	\$22,144	\$10,117	\$0	8	19	10	0
Lumo Energy	\$14,599	\$17,044	\$37,762	\$12,490	7	6	10	4
Red Energy	\$1,188	\$4,061	\$15,265	\$7,019	8	5	10	10
Simply Energy	\$9,111	\$26,446	\$6,753	\$2,940	6	14	5	4
Alinta Energy	\$29,622	\$24,237	\$2,717	\$8,841	17	14	3	2
Click Energy	\$2,316	\$10,699	\$10,649	\$516	3	6	4	1
Dodo & Commander (M2 Energy)	\$0	\$0	\$0	\$3,346	0	0	0	2
Momentum	\$20,434	\$637	\$10,755	\$15,067	49	2	7	13
Powerdirect	\$9,664	\$0	\$3,500	\$0	1	0	1	0
Powershop Australia	\$1,234	\$4,634	\$573	\$1,621	6	4	6	3
1st Energy	\$2,168	\$1,024	\$1,530	\$0	1	1	2	0
Blue NRG	\$0	\$0	\$11,043	\$0	0	0	7	0
CovaU	\$488	\$0	\$763	\$0	1	0	2	0
Tango (Pacific Hydro)	\$0	\$132	\$2,438	\$247	0	1	4	1
QEnergy	\$205	\$0	\$0	\$0	1	0	0	0
Sumo Power	\$0	\$613	\$1,289	\$156	0	1	12	1
Total	\$169,713	\$287,461	\$250,451	\$89,551	164	135	119	66

Figures may not add up precisely due to rounding. Excludes wrongful disconnections disputes that were referred to us. Jul-Sep, Oct-Dec and Jan-Mar figures have been updated due to updated data from retailers.

Table 2.2 Wrongful disconnection payment cases referred to the commission between June 2019 and August 2019

Retailer	Number of referrals	Outcome and total compensation amount
Alinta Energy	1	No compensation payable
Dodo Power & Gas	1	Disconnection wrongful, \$63,060
Lumo Energy	1	No compensation payable

Figures are based on wrongful disconnection payment cases referred by the Energy and Water Ombudsman (Victoria)

3. It's your energy – outcomes from our public information campaign

Between June and July 2019, we delivered an information campaign to help Victorians navigate the energy market and access new energy protections that came into effect on 1 July.

Our campaign centred on a simple, informative and concise webpage: vic.gov.au/itsyourenergy

Why did we run the campaign?

We surveyed 800 Victorians to find out what information customers need to achieve better market outcomes.

Based on the questions we asked we found that many Victorians did not understand their energy rights (figures 3.1 and 3.2).

We also worked with the community service sector to design our information to reach vulnerable or hard-to-reach community members.

Figure 3.1 Do you know where to go to get more information about your rights related to your energy retailer?

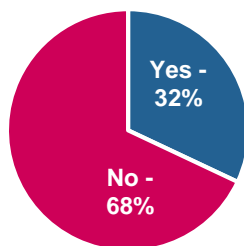
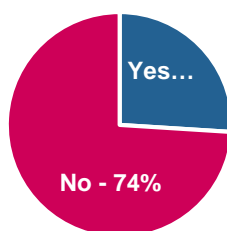


Figure 3.2 Are you aware of whether energy companies tell you if you're on the best deal for you?



Our campaign focused on letting Victorians know that from 1 July 2019:

- customers can access a simple and trusted energy price – the Victorian Default Offer
- energy companies must tell customers about their best deal
- customers can receive standardised fact sheets showing key information about available energy offers and
- there are new protections for people having trouble paying their bills.

Our campaign strategy helped us convey information about these energy reforms to a consumer audience in a way that was accessible, clear and empowering.

How many Victorians did we reach?

We reached out to the community through channels including:

- press (state and regional)
- social media (Facebook and Twitter)
- regional radio
- digital (website ads)
- consumer, regional and industry press.

At least 2.2 million Victorians over the age of 18 heard, saw or read about their new energy rights between June 24 and July 19 in 2019. Overall awareness about the reforms increased by an average 34 per cent (from 23 to 31 per cent).

We reached an estimated 200,000 or more people on Facebook, while 1.1 million shoppers and 662,000 commuters saw our advertisements in communal spaces like shopping centres. The project worked particularly well with older Victorians and regional communities, who registered the biggest increases in awareness.

4. Feed-in tariff rates offered by retailers

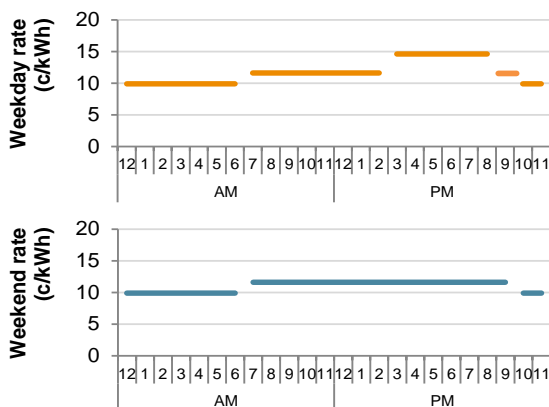
Each year we set the minimum feed-in tariffs that retailers can credit customers for electricity they export to the grid from sources like rooftop solar.

The feed-in tariffs change annually to reflect the latest information on the wholesale price of electricity and avoided network losses.

From 1 July this year until 30 June 2020, retailers can offer a single rate feed-in tariff that is at least 12.0 cents per kilowatt hour.

We have also set the minimum rates for a time-varying feed-in tariff which varies between 9.9 and 14.6 cents per kilowatt hour depending on when the power is exported to the grid (figure 4.1).

Figure 4.1 Time-varying tariff minimum rates



What feed-in tariff rates are energy retailers offering?

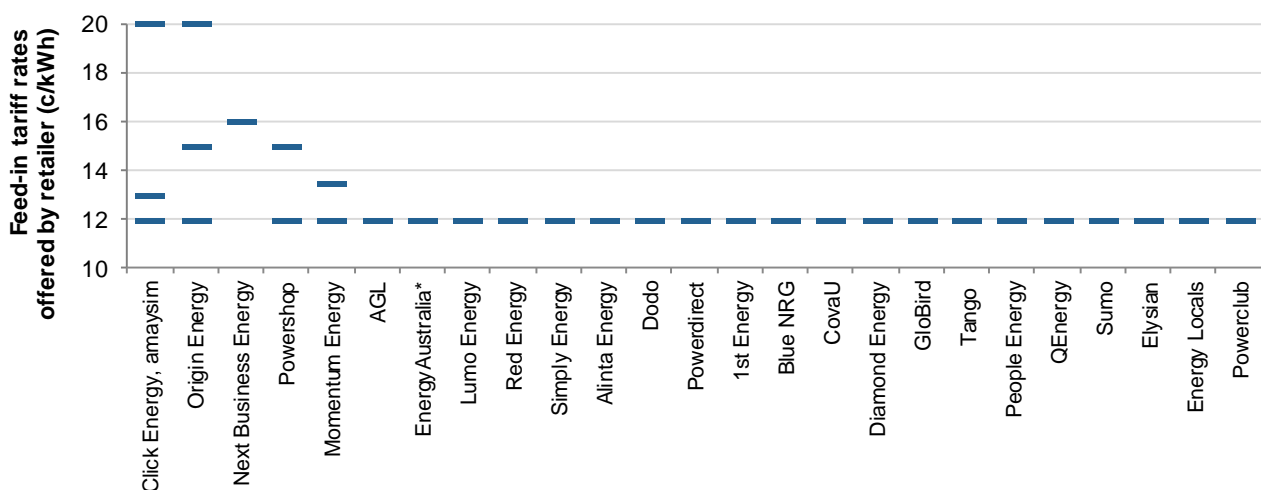
We surveyed the feed-in tariffs that were available in the market in September 2019. Many retailers continued to offer the minimum 2018-19 feed-in tariff single rate of 12 cents per kilowatt hour. Some retailers offered above the minimum rate.

Our search found five Victorian retailers that offered feed-in tariffs higher than the minimum rates – these ranged between 13 and 20 cents per kilowatt hour (figure 4.2). These higher feed-in tariffs tend to only be available under special terms and conditions. For example, to access Origin Energy’s 20 cents per kilowatt hour feed-in tariff, you must also buy solar panels from the retailer. Also, retailers could still offer higher feed-in tariff rates throughout the year.

EnergyAustralia also offers the time-varying feed-in tariff as part of some of their electricity plans.

It is important not to just focus on the feed-in tariffs when deciding on an electricity plan. You should think of your whole energy bill which includes what you will pay for the electricity you use as well as export.

Figure 4.2 Retailer feed-in-tariff rates available as at September 2019



*EnergyAustralia also offers the minimum time-varying feed-in tariff as part of some of their plans.



5. New energy licences and exemptions

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

From May 2019 to June 2019, we issued the following licences:

- **A new electricity generator.** Yatpool Sun Farm Pty Ltd intends to generate renewable electricity in the north-western part of Victoria from wind and solar resources.
- **A new gas retailer.** Tango Energy is now licensed to retail gas to Victorian customers. Since 2014, Tango Energy has had a licence to retail electricity to Victorian customers.

Embedded network registration

In 2017-18, the Victorian government established a framework to allow for certain electricity networks to be exempt from having a licence. However, these networks still have obligations to customers and are required to register their networks with the commission. Embedded electricity networks can be found in:

- apartment buildings
- shopping centres
- retirement villages
- lifestyle villages
- caravan parks
- manufactured home estates
- land lease parks
- rooming houses.

Some people do not need to register with us as they have deemed exemptions that automatically apply. There are over 1,100 registered embedded networks that supply electricity to over 140,000 consumers.

To find out more information about your rights when living in an embedded electricity network, go to www.esc.vic.gov.au/embedded-electricity-network-customers