

Public engagement summary: Victorian Default Offer: amendment to price determination 2021

We engaged with interested stakeholders to hear and consider their views on our proposed variation to the 2021 Victorian Default Offer. The variation will take effect from 1 September 2021.

We received a total of 19 submissions. We considered these submissions in forming our final decision.

Project background

The Victorian Default Offer is a simple and trusted electricity price that is set by us, not energy companies, every year. It provides Victorian consumers access to a fair electricity deal even if they are unable or unwilling to engage in the retail market. The Victorian Default Offer also functions as the maximum price embedded network operators may charge residential and small business customers.

When we determined the 2021 default prices in November 2020, we used the Australian Energy Regulator approved network tariffs to calculate network costs for the default offer. However, the approved network tariffs for the second half of 2021 were not available.

Since then, the Australian Energy Regulator has approved the network tariffs that would apply from 1 July 2021. It also introduced new two period (peak and off-peak) time of use network tariffs that will be the default network tariff for around 400,000 legacy non-flat customers (approximately 15,000 being default offer customers), as well as new connections in Victoria.

Our final decision is to vary the 2021 Victorian Default Offer price determination to account for the new network tariffs and structure approved by the Australian Energy Regulator which will apply from 1 July 2021. This is consistent with our Victorian Default Offer methodology and current price determination.

In deciding how to amend the 2021 Victorian Default Offer price determination, we run a public engagement process to ensure the views of interested stakeholders were heard and considered.

Our consultation period was relatively short because it was urgent to align the default offer with changes in network tariff structures and prices as soon as possible after 1 July 2021. Our consultation process and timeframes were tailored to what we considered most appropriate for making the variation. This is consistent with the requirements of the Victorian Default Offer pricing order and the current default offer price determination.

Our approach also reflected the:

1. extensive consultation we undertook in 2020 on options for reflecting anticipated changes in network tariffs in the Victorian Default Offer
2. benefits of enabling new default offer tariffs to apply from 1 September 2021
3. relatively narrow focus of our proposed variation (focusing on network tariffs only)
4. treatment of network costs as a pass through in our default offer methodology.

Despite the short engagement period, we are satisfied that stakeholders had ample opportunity to provide the commission with feedback on the consultation and draft decision papers. The number of submissions we received and the level of stakeholder participation in our public forum, show this.

The engagement process has informed our decision making and we have provided a summary of how on pages 4–5 of this document. We have made our decision after considering all matters raised by stakeholders and all relevant provisions and matters we must have regard to under the Electricity Industry Act 2000, the Essential Services Commission Act 2001 and the Victorian Default Offer pricing order.

How we engaged



Key dates

- 14 May 2021: consultation paper was released. We sought views on our proposed approach to vary the 2021 Victorian Default Offer price determination.
- 20 May 2021: an online public forum was held. We explained our consultation paper, heard from stakeholders and took questions from attendees.
- 25 May 2021: submissions to consultation paper closed.
- 25 June 2021: draft decision paper was released.
- 2 July 2021: submissions to draft decision paper closed.
- 16 July 2021: final decision and amended price determination was released.
- 1 September 2021: variation takes effect.



Methodology

- We sought feedback and submissions via Engage Victoria for the consultation and draft decision papers.
- We held an online public forum.

- We invited stakeholders to email us at vdo@esc.vic.gov.au.
- We had one-on-one meetings with stakeholders.



Number of participants

- Between 14 May to 2 July 2021, we had 333 visits at our [Engage Victoria consultation page](#) by 245 visitors.
- 65 attendees at our public forum including:
 - energy retailers
 - embedded network operators
 - consumer representatives and advocates
 - government departments
 - consultants.



Number of submissions received (written, verbal)

- 19 submissions from retailers, embedded network operators, Consumer Action Law Centre, and consumers. These included:
 - 11 written submissions to our consultation paper made through our page in Engage Victoria and by email
 - 8 submissions to our draft decision paper made through our page in Engage Victoria and by email.

All submissions can be found on our [website](#).

Summary of feedback

We proposed	You said	We did
We proposed to vary the 2021 Victorian Default Offer price determination to account for Australian Energy Regulator's approved network prices and structure applying from 1 July 2021.	Stakeholders supported our approach to vary the 2021 Victorian Default Offer price determination to account for the recently approved network prices and structure.	We amended the 2021 Victorian Default Offer price determination.
We proposed to update the flat default offer tariffs to reflect the new Australian Energy Regulator approved rates for flat network tariffs.	Stakeholders supported our proposed approach.	We updated the flat default offer tariffs, to apply from 1 September 2021, with the new Australian Energy Regulator approved flat network tariffs applying from 1 July 2021.
We proposed to introduce a new two period time of use default offer tariff to be calculated based on the new default time of use network tariff structure and prices approved by the Australian Energy Regulator.	Stakeholders supported our proposed approach.	We introduced two period time of use default tariffs from 1 September 2021.
We proposed to update the compliant maximum annual bill arrangements to reflect the new default time of use network tariffs approved by the Australian Energy Regulator (currently the compliant maximum annual bill is calculated based on the flat tariff default offer rates).	Stakeholders supported our proposed approach	We determined the compliant maximum annual bill, to apply from 1 September 2021, based on the two-period time of use default offer tariffs.
We proposed a 1 September 2021 effective date for the final variation decision.	Stakeholders generally supported our proposed effective date. While stakeholders generally supported an earlier implementation date (1 August) in response to our consultation paper, they accepted the updated implementation date and reasons for delay.	We set the effective date for the variation as 1 September 2021.
We sought feedback on when and how to account for any under or over recovered network costs for the period	We received a range of feedback from stakeholders.	We intend to account for under or over recovery of network costs for the period between

between 1 July–31 August 2021.

Some retailers recommended that we allow for under or over network costs recovery during the period between September–December 2021 while others prefer the recovery to take place during the next Victorian Default Offer review.

Some retailers, a peak body and an embedded network operator recommended that the under or over recovered network costs should be seasonally adjusted. One retailer suggested to base these network costs on actual consumption, while another retailer recommended a simple apportionment approach of these network costs.

July and August 2021 in the next Victorian Default Offer.

Our final decision is consistent with our default offer methodology of passing through network costs.

It will ensure any adjustment for under or over recovered network costs is more cost reflective, that is, based on actual consumption for July and August – which addresses retailer concerns regarding the difference between allowed and actual costs.

Also, it will not further disrupt any preparations already made by retailers for updating market and standing offers, thereby minimising administrative costs. Noting the draft determination we released on 16 June was already based on the Australian Energy Regulator’s approved network tariffs.

Our engagement events

Online public forums

Recordings of our online public forums are available for you to view online at the commission's [YouTube channel](#).

Public forum – 20 May 2021

Our public forum on 20 May 2021 provided an opportunity for interested stakeholders to express their views and raise questions about our proposed next steps for the Victorian Default Offer.



Online engagement

LinkedIn and Twitter

We used LinkedIn and Twitter to share information with you on how we propose to amend the Victorian Default Offer price determination 2021 to account for Australian Energy Regulator approved network prices and structure that would apply from 1 July 2021.

esc.vic.gov.au/media-centre/c... Want to #HaveYourSay on our proposal? Get in touch with us by Friday 2 July > [engage.vic.gov.au/victorian-defa...](\"https://engage.vic.gov.au/victorian-defa...\")' Below the text is an image showing hands using a calculator and a laptop on a desk. The image has an 'ALT' label in the bottom left corner. At the bottom of the tweet are icons for replies (1), retweets, likes, share, and a menu icon." data-bbox="91 194 834 631"/>

compare.energy.vic.gov.au' Below the text are icons for replies (1), retweets, likes, share, and a menu icon." data-bbox="91 631 834 784"/>



Essential Services Commission

4,022 followers

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We're reviewing the Victorian Default Offer – Victoria's fair and simple energy option – and want to hear your thoughts about our approach.

Join our public forum this Thursday 20 May to have your say and hear from key industry stakeholders on our proposal.

Read our consultation paper on our website > <https://lnkd.in/g/hespDv>

[Kate Symons](#), [Rebecca Billings](#), [Simon Corden](#), [Sitesh Bhojani](#), [John Hamill](#),
[Michelle Bryne](#), [Rebecca Love](#), [Mayank Grover](#)



Next steps for the Victorian Default Offer: public forum

eventbrite.com.au • 1 min read

Engage Victoria

We used Engage Victoria throughout the course of this project.

| Essential Services Commission

Victorian default offer 2021

The Essential Services Commission is reviewing how the 2021 Victorian default offer for electricity should reflect network tariff changes. It wants to hear from you.

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Overview

The Essential Services Commission sought your views on how the amendment of the 2021 price determination of the Victorian default offer should take into account changes to network tariffs, which will apply from 1 July 2021.

We published our amendment draft decision on 25 June and sought feedback on our proposal to increase the Victorian Default Offer to reflect upcoming changes to national electricity network costs until 2 July 2021.

Our role in setting the Victorian default offer

The Essential Services Commission is responsible for setting Victorian default offer prices. The default offers are designed to be simple, trusted and reasonably priced electricity options to safeguard customers unable or unwilling to engage in the market. On 27 November 2020, we made a [final decision and price determination](#) on Victorian default offer prices to apply from 1 January 2021 for customers on electricity standing offers. For information about our proposed approach for setting the 2022 Victorian default offer prices, please visit our [2022 Victorian default offer Engage Victoria page](#).

Amendment to 2021 Victorian Default Offer

2021 Victorian Default Offer

Our draft decision

Our amendment draft decision proposes that the default offer will change to reflect the Australian Energy Regulator's decision on changes in network tariffs to be paid by electricity retailers to electricity distribution companies from 1 September 2021.

Read our draft decision



Victorian Default Offer amendment to price determination 2021 - Draft decision
MS Word (239.99 KB)

Updates

25 June 2021

Changed network costs to be reflected in Victoria's default electricity price

The Essential Services Commission is seeking feedback on its proposal to increase the Victorian Default Offer to reflect upcoming changes to national electricity network costs.

Show more news

Timeline

- ✓ Consultation paper released
16 June 2020
- ✓ Consultation on consultation paper opens
16 June 2020
- ✓ Online public forum
July 2020
- ✓ Consultation on consultation paper closes
21 July 2020