VICTORIAN

Energy Market

REPORT

2022–23

Customers experiencing payment difficulty

Disconnections for non-payment

Energy in Victoria

ESSENTIAL SERVICES COMMISSION

Acknowledgement

We acknowledge the Traditional Owners of the lands and waterways on which we work and live.

We acknowledge all Aboriginal and Torres Strait Islander communities, and pay our respects to Elders past and present.

As the First Peoples of this land, belonging to one of the world's oldest living cultures, we recognise and value their knowledge, and ongoing role in shaping and enriching the story of Victoria.

An appropriate citation for this paper is:

Essential Services Commission 2023, *Victorian Energy Market Report: 2022–23*, 30 November

The Victorian Energy Market Report meets our reporting obligations under section 10AA(a) and 10AAB of the *Essential Services Commission Act 2001*; sections 39A and 109A(3) of the *Electricity Industry Act 2000*; sections 47 and 223(3) of the *Gas Industry Act 2001*; and section 67(1) of the *Victorian Energy Efficiency Target Act 2007*.

Important notice

The information in this publication is to meet statutory reporting requirements and provide general guidance only. It does not constitute legal or other professional advice and should not be relied on as a statement of the law in any jurisdiction. While the commission has made every reasonable effort to provide current and accurate information, you should obtain professional advice if you have any specific concern, before relying on the accuracy, currency or completeness of this information.

Contents

Chairperson's foreword

As cost-of-living pressures persist, more consumers are having trouble paying their energy bills. The number of consumers accessing assistance from their retailer increased by five per cent for electricity and 13 per cent for gas from last year.

While there were fewer disconnections, consumers on tailored assistance found it harder to pay down their arrears. There was also an increase in disconnection warning notices to consumers that are behind on payments, leaving them at risk of disconnection. This highlights the importance of early engagement between customers and retailers to help support customers pay for their energy and to prevent disconnection.

Even more consumers could be accessing assistance, highlighting the importance that Victorians are informed and aware of the support that is available.

We took a significant number of compliance and enforcement actions to hold regulated energy businesses to account and uphold the rights and protections of Victorian energy consumers in 2022–23.

For example, Jemena Electricity Networks (Vic) Ltd paid over $795,000 in penalties in June 2023 for allegedly failing to comply with obligations that protect Victorian energy customers who need life support equipment, and who are affected by planned power outages.

Further, Alinta Energy paid over $380,000 in penalties in January 2023, after it allegedly failed to provide the level of payment difficulty assistance that 13 customers were entitled to receive. For four of those 13 customers, Alinta Energy allegedly imposed a condition on the provision of assistance that required the customers to provide personal or financial information.

We initiated the Retailer of Last Resort process for Power Club Limited, Elysian Energy Pty Ltd, QEnergy Limited and Mojo Power East Pty Ltd in 2022–23. This involved transferring approximately 14,400 customers to other retailers in Victoria to provide continued energy supply.

We will continue to support and promote energy businesses' compliance with critical safeguards to protect Victorian energy consumers.

I urge consumers to talk to their energy retailers if they are having trouble staying on top of their bills. Energy retailers are required to help consumers to access payment plans, concessions, rebates, and Utility Relief Grants that may be available.

Kate Symons
Chairperson and Commissioner

Customers experiencing payment difficulty

More Victorian energy consumers accessed assistance from their retailer to help pay their bills. Five per cent more electricity and 13 per cent more gas customers accessed assistance in 2022–23 compared to last year.

There are two factors underpinning this increase: first, more gas customers entered tailored assistance, and second, customers stayed in assistance programs for longer as they took longer to pay their arrears.

Retailers also helped more customers access Utility Relief Grants, a Victorian Government grant of up to $650 per energy type for eligible customers.

Successful grant applications increased 21 per cent for electricity and 26 per cent for gas in 2022–23 compared to last year.

The number of customers receiving assistance for longer than a year and with more than $1,000 in arrears increased compared to last year.

There were also more customers exiting tailored assistance with arrears, putting them at risk of disconnection.

Around four per cent of energy consumers have arrears greater than $300, but are not accessing payment assistance from their retailer. This places them at a higher risk of being disconnected.

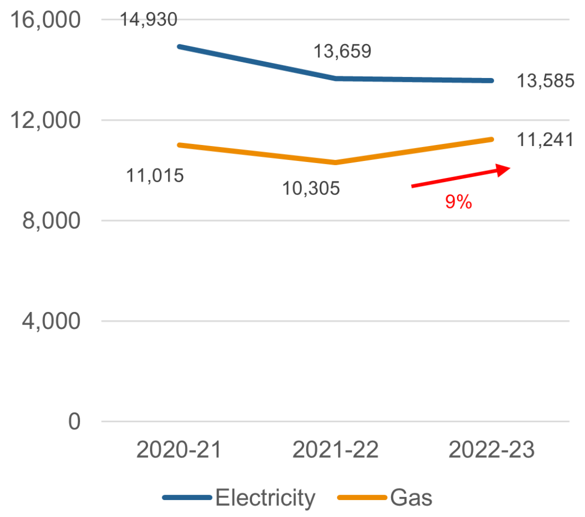
Steady trend of electricity customers entering tailored assistance as more gas customers entered assistance

Electricity customers entered tailored assistance at a consistent rate (see Figure 1, with a monthly average of 13,585 across 2022–23, in line with the 13,659 customers in 2021–22.

More gas customers entered tailored assistance in 2022–23, with 11,241 gas customers entering tailored assistance each month. This was a nine per cent increase compared to last financial year.

July to September is always the highest period for gas customers accessing tailored assistance. Increased energy usage from heating during the winter months results in higher bills during these months.

Figure 1: Average monthly customers commencing tailored assistance



Unlike previous years, this seasonal increase continued past September in 2022 until November (see Appendix 1 – Figure 1). This sustained growth in gas customers entering tailored assistance coincides with the increase in the median price of gas market offers that commenced in July 2022 and continued to increase throughout 2022–23, following two years of little price movement (see Appendix1 – Figure 2).

More customers accessing tailored assistance

In 2022–23, retailers provided tailored assistance to an average of 65,268 electricity customers and 54,139 gas customers in any given month. This was an increase of five per cent for electricity customers and 13 per cent for gas customers compared to last financial year.

This was different to the previous year, where there was a decrease in the number of customers accessing tailored assistance (see Figure 2).

Figure 2: Monthly average number of energy customers accessing tailored assistance

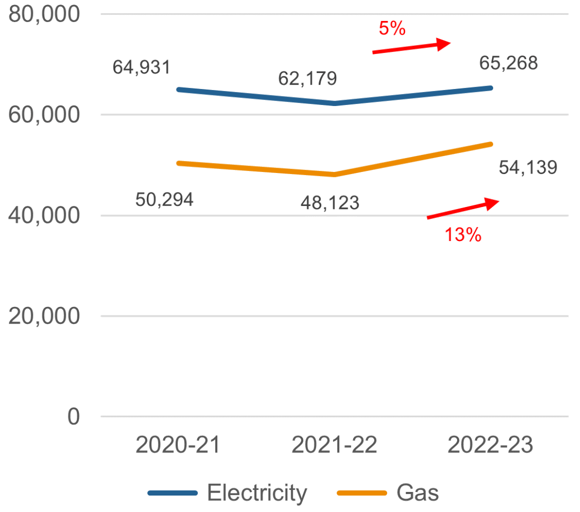
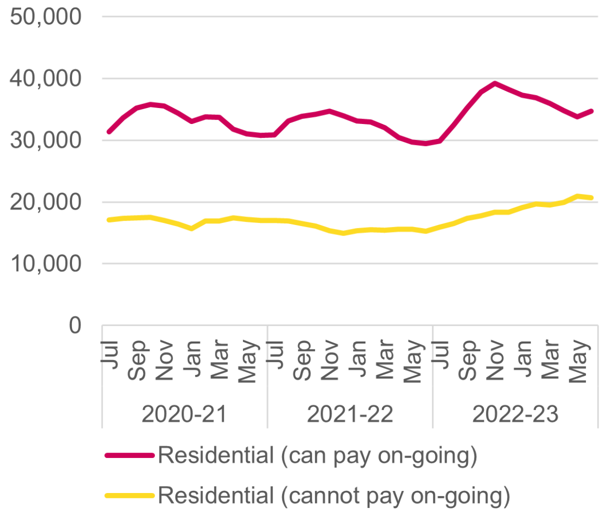


Figure 3: Monthly number of gas customers accessing tailored assistance, by can and cannot afford ongoing use



Retailers must offer assistance

Retailers must offer different minimum levels of assistance to customers based on whether they can afford their ongoing energy use or not.

Customers who can afford their ongoing energy use will generally have less energy debt when starting tailored assistance and greater ability to reduce their debt over time.

Customers who cannot afford their ongoing energy use will generally have more energy debt when starting tailored assistance and their energy debt will continue to grow initially.

The increase in energy customers accessing tailored assistance related to both customers who can and cannot afford their ongoing use (see Appendix 1 – Figure 3 and Appendix 1 – Figure 4).

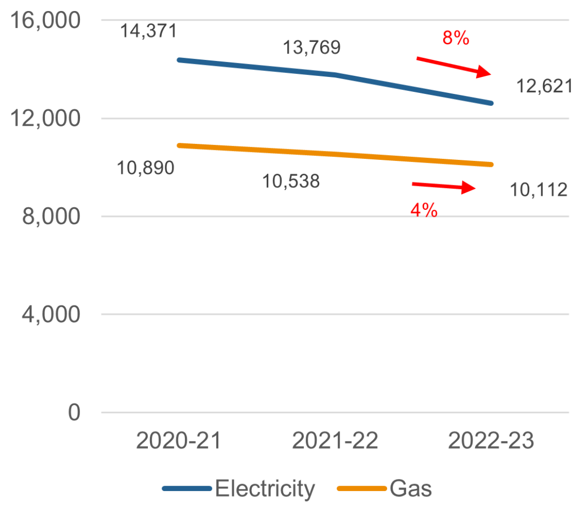
We usually observe a pattern each year of increases in gas customers receiving assistance after winter, then returning to a lower level. However, in 2022–23, an elevated number of customers continued to receive assistance throughout the financial year (see Figure 3) – signalling that more customers fell behind on their energy bills. This sustained increase partly affected the overall increase in gas customers accessing assistance.

Fewer customers are ending their tailored assistance support in 2022–23

Fewer customers ended their tailored assistance support in 2022–23 compared to the previous year – a decrease of eight per cent for electricity and four per cent for gas customers (see Figure 4). These decreases have contributed to the elevated number of customers accessing tailored assistance throughout the year.

Fewer electricity and gas customers exiting tailored assistance indicates that customers are receiving tailored assistance for a longer period than in the previous year.

Figure 4: Average monthly number of energy customers exiting tailored assistance



Results vary across the market by retailer, with Origin Energy experiencing the largest drop in exits, while there was an increase in tailored assistance exits for Simply Energy and AGL (see Appendix 1 – Figure 5 and Appendix 1 – Figure 6).

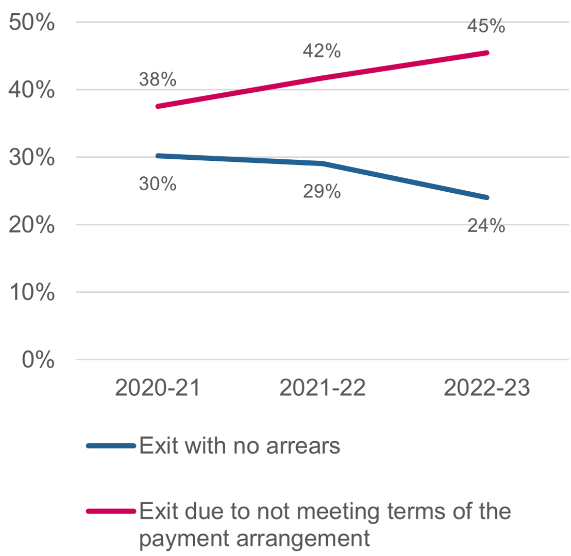
A decreasing proportion of customers are completing tailored assistance with no arrears

Customers on tailored assistance are finding it harder to pay down their arrears, with not meeting the terms of the payment plan continuing to be the most common reason assistance ended.

Ideally, customers will have cleared their arrears on completion of their tailored assistance plan – in previous years this has only occurred for 29 per cent of all customers exiting tailored assistance. In 2022–23 this figure dropped further, down to 24 per cent (see Figure 5). This reduction was observed across four of the six large retailers (see Appendix 1 – Figure 7 and Appendix 1 – Figure 8).[1]

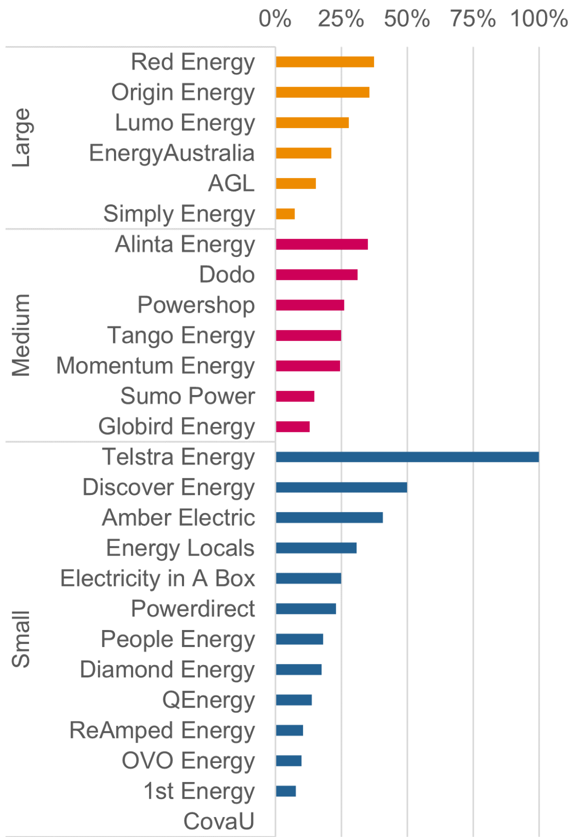
This means that more customers are exiting their plan either with arrears, or due to not meeting the terms of their payment arrangement.[2] These customers are at risk of future disconnection by their retailer.

Figure 5: Electricity customer's reason for exiting tailored assistance (as proportion of all exits)



The rate that customers exit tailored assistance with no arrears varies across retailers. Red Energy had the highest proportion of customers exiting with no arrears at 37 per cent. Simply Energy had the lowest proportion with seven per cent.

Figure 6: Electricity customer's rate of exit from tailored assistance with no arrears (as proportion of all exits)



More energy customers remained in arrears for a year or longer

As arrears accumulate, it becomes harder to exit tailored assistance with no arrears. In 2022–23, there was an average of 7,911 electricity and 5,468 gas customers in tailored assistance, who had aged arrears greater than $1,000. This is nine per cent higher than last year for electricity and 11 per cent higher for gas customers (see Figure 7).

Of these customers in tailored assistance for a year or longer, 1,776 electricity and 837 gas customers had aged arrears greater than $5,000, an increase of 26 per cent for electricity customers and an increase of 47 per cent for gas customers (see Appendix 1 – Figure 9).

1 Retailers are categorised as large when they have at least five per cent market share.
2 Some customers stop receiving assistance from their retailers for not meeting with the terms of that assistance, such as not keeping up with payment instalments.

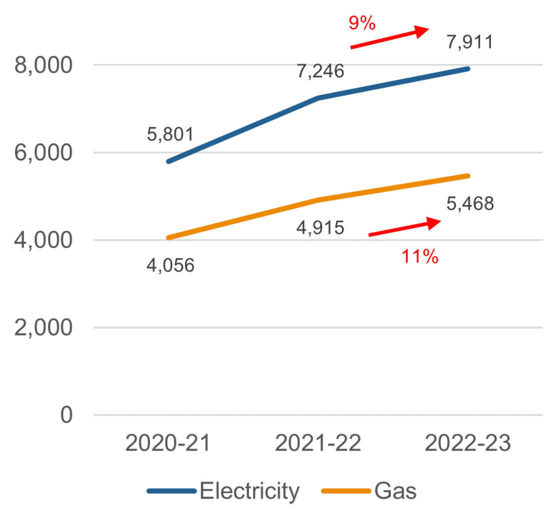
Average arrears for electricity customers remained high and average arrears for gas customers increased

Electricity customers accessing tailored assistance had an average arrears of $1,110 across the year, equivalent to almost 11 months of electricity bills.[3] This was stable compared to the previous year.

Gas customers accessing tailored assistance had an average of $884 in arrears, which was a four per cent increase on the previous year.

More gas customers began tailored assistance after receiving their winter bill – with average arrears peaking in October 2022 at $700, which is a substantial increase on the peak of $615 in 2021–22 (see Appendix 1 – Figure 10). Promisingly, average arrears for gas customers decreased throughout the year.

Figure 7: Number of tailored assistance customers with aged arrears greater than $1000



Concessions and government grants

More Victorian households received winter gas concessions in 2022–23, while those receiving annual electricity concessions remained stable

A total of 659,000 Victorian households received winter gas concessions in 2022–23 through the Department of Families, Fairness and Housing. This represents 31 per cent of all Victorian households, which is an increase of two per cent compared to last year.

Nearly 900,000 Victorian households received annual electricity concessions in 2022–23, or one in three of all residential electricity consumers (see Figure 8).

Supports available for eligible customers

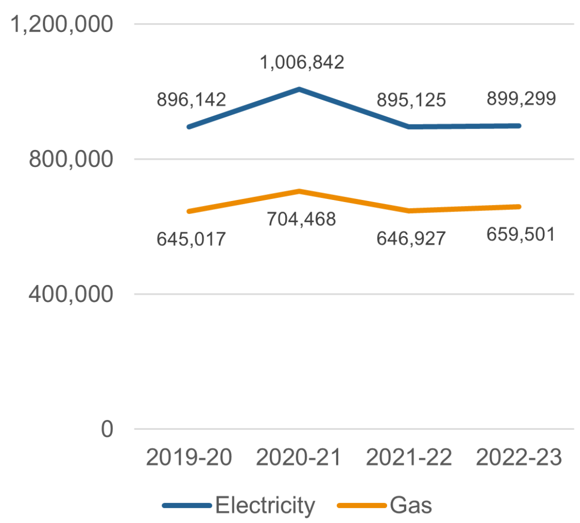
Victorian households with eligible concessions status can access government assistance to cover part of their ongoing energy cost.

These supports include ongoing assistance in annual electricity concessions and winter gas concessions, and temporary assistance with Utility Relief Grants.

Annual electricity concessions cover 17.5 per cent of a household's electricity bill all year around and winter gas concessions cover 17.5 per cent of a household gas bill from May to October each year.

Utility Relief Grants also provide up to $650 for electricity and gas separately, or $1,300 if a household has only a single source of energy.

Figure 8: Number of households that received annual concessions



Approximately two thirds of customers on tailored assistance cannot afford their ongoing use, and one third of those that can received government energy concessions (see Figure 9 and Figure 10).

[3] This is based on an average payment plan cost over the year, for a typical household with 4,000 kWh annual usage.

In 2022–23, more customers (who could not pay their energy bills) received concessions than in previous years. However, the proportion decreased due to more customers being on tailored assistance. In this period, fewer customers who can afford to pay their ongoing use, received government concessions.

Figure 9: Proportion of electricity customers on tailored assistance who also received energy concessions

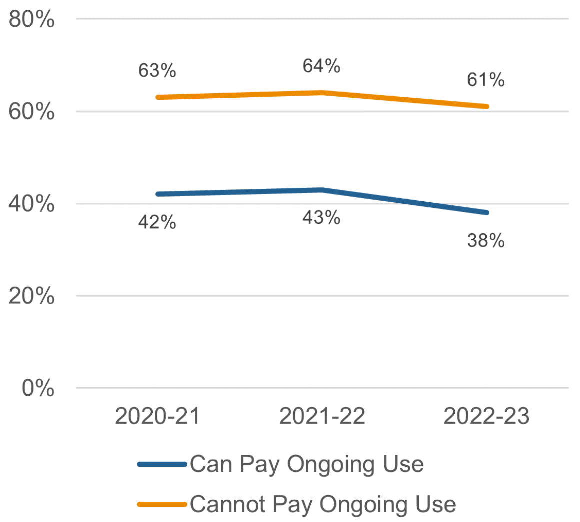
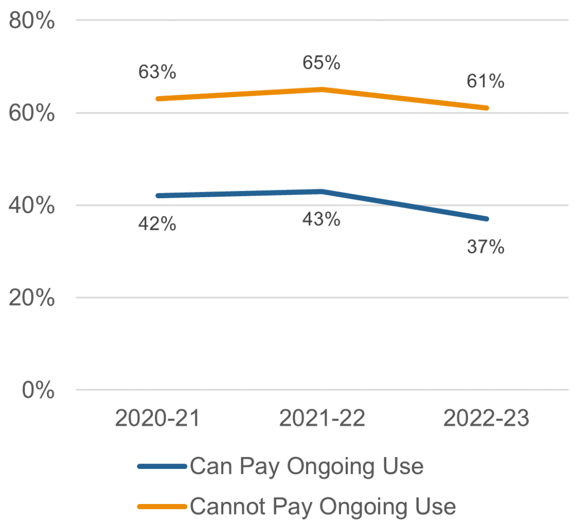


Figure 10: Proportion of gas customers on tailored assistance who also received energy concessions



Utility Relief Grants

More people are applying for Utility Relief Grants. Those applying are doing so more often. This creates a trend towards making smaller, more frequent requests rather than larger, less frequent requests.

Following the change in rules in 2019, we have observed more customers applying more frequently, seeking smaller amounts to help pay their current bill.

Compared to 2021–22, there have been increases on all Utility Relief Grant metrics, with increases greater for gas customers (see Figure 11):

- Retailers initiated 27 per cent more electricity and 34 per cent more gas applications from the Department of Families, Fairness and Housing.
- Retailers and their customers submitted 34 per cent more electricity and 41 per cent more gas completed applications.
- the Department of Families, Fairness and Housing approved 21 per cent more electricity and 26 per cent more gas applications.

As a result, total grant amounts paid were up nine per cent for electricity and 21 per cent for gas (see Appendix 1 – Figure 12), while average grant values per application were down 10 per cent to $356 for electricity and down four per cent to $332 for gas, reflecting the more frequent submission of requests for progressive amounts.

The Utility Relief Grant scheme

The Utility Relief Grant scheme is a Victoria-specific grant scheme for eligible households that provides up to $650 for electricity and gas separately or $1,300 if a household has only a single source of energy within a two-year period.

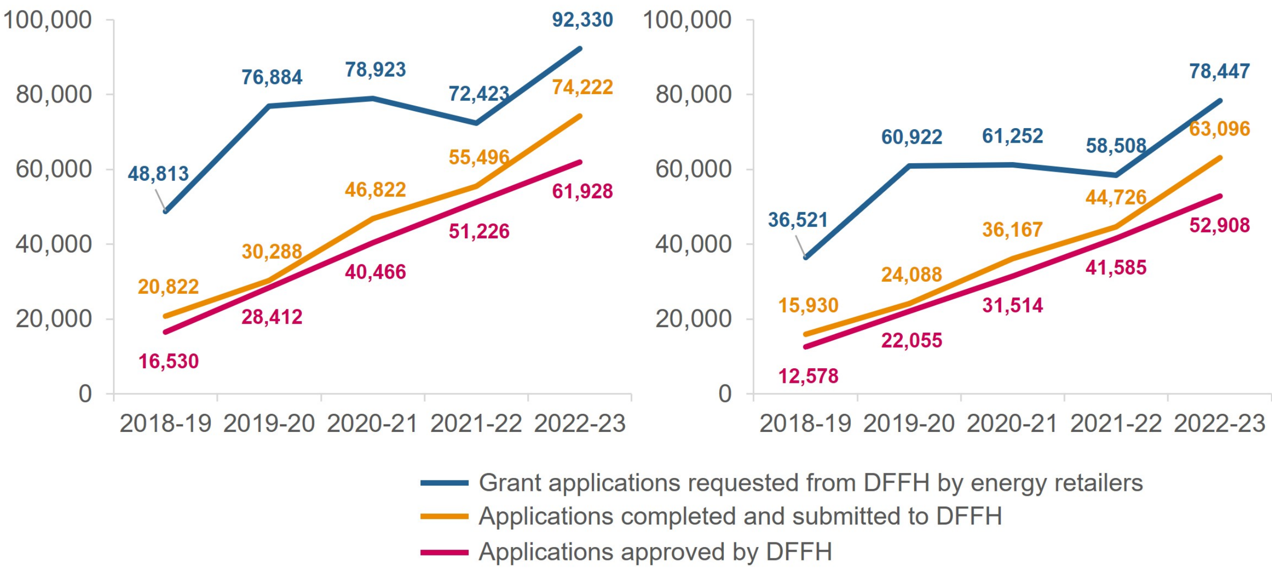
This grant significantly benefits customers by lowering their energy arrears or future costs, as well as to the retailer in terms of reduced customers' arrears.

From 1 July 2019, energy customers were able to apply online for a Utility Relief Grant to help pay their bill, with the help of their retailer.

Households also became eligible to apply for multiple grants within the two-year period, until they reach the maximum total amount of up to $650 per utility, or $1,300 if a household only has one source of energy.[4]

Figure 13 in Appendix 1 outlines how consumers can request a Utility Relief Grant.

Figure 11: Utility relief grant applications



4 Utility relief grant scheme mains factsheet

Customer service levels

Call waiting times and abandoned calls

There was a sharp increase in the waiting time customers experienced when calling an operator (see Figure 12). This was much higher during July and August 2022, and again towards the end of the financial year, when customers would have received price change notification notices. This also coincides with the winter peak time when gas bills are at their highest because of increased demand for heating. During this time, more customers were also calling to complain about their bills that seemed higher than they expected, as shown in the increase in complaints.

Figure 12: Average waiting time for calls forwarded to an operator (seconds)

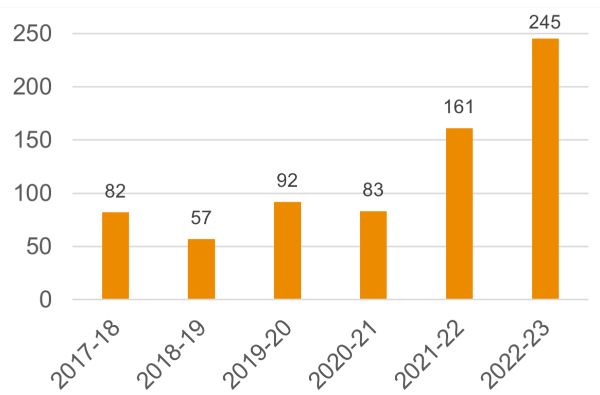
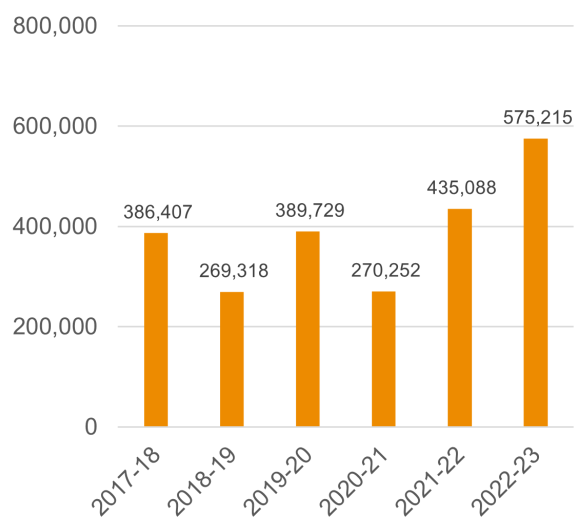


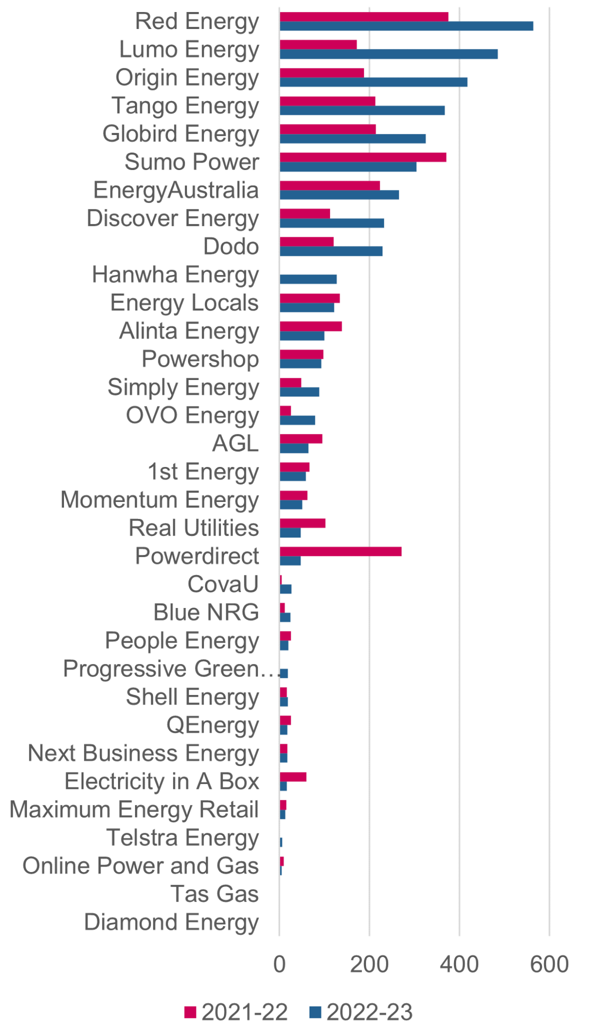
Figure 13: Number of calls abandoned



As the call waiting time increased during the winter months, more customers abandoned their call while they were waiting in the queue (see Figure 13).

Retailers need to be responsive and able to service customer calls, this is a crucial way for customers to access tailored assistance. We will continue to monitor these call indicators given the importance for customers accessing tailored assistance.

Figure 14: Average waiting time for calls forwarded to an operator (seconds)



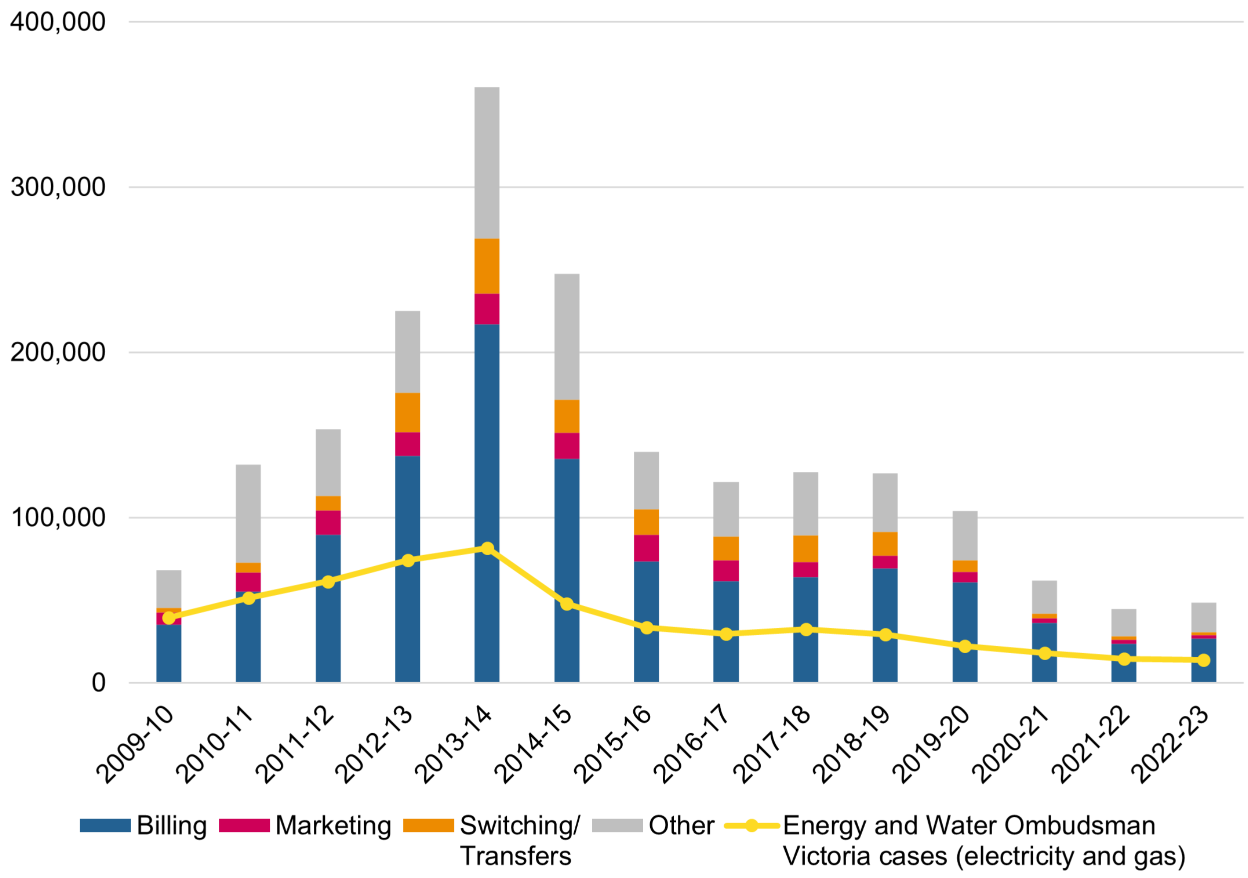
Complaints

Retailers self-reported eight per cent more electricity and gas complaints in 2022–23 compared to 2021–22 (3,768 more complaints), with gas complaints 24 per cent higher than the previous year. The overall increase was mainly related to billing issues (up 13 per cent) and other types of complaints (up seven per cent) (see Figure 15).

The Energy and Water Ombudsman Victoria (EWOV) reported five per cent fewer electricity and gas complaint cases reported to them by energy customers compared to 2021–22 (679 less cases). EWOV also reported an increase of seven per cent in gas complaints in 2022–23 (see Figure 15).

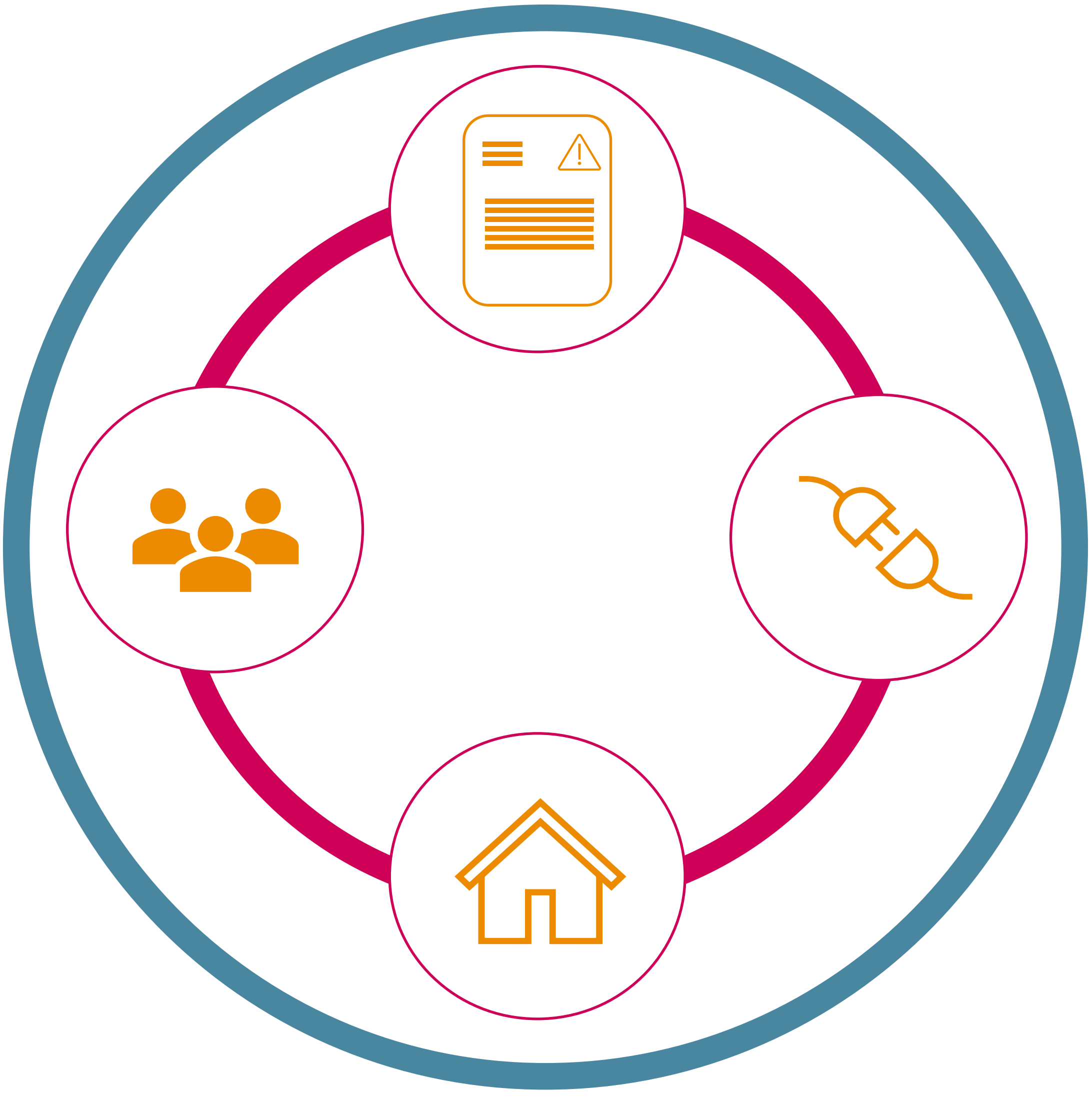
Although retailers reported more complaints for 2022–23 compared to 2021–22, these figures are significantly lower than in 2020–21 or earlier. Complaints to EWOV follow a similar trend where 2021–22 and 2022–23 cases are much lower than previous years.

Figure 15: Number of retailer reported complaints and EWOV cases[5]



[5] 'Other complaints' include issues related to waiting times, customer services, account management, rates and pricing, fees and charges, portal issues, gas outages and metering.

Disconnections for non-payment



Disconnections for non-payment decreased in 2022–23

Although there was a substantial increase in retailers issuing reminder notices and disconnection warning notices to customers, disconnection of customers for not paying their energy bills decreased by 17 per cent for electricity and 16 per cent for gas compared to last year.

There are potentially more customers that could be accessing assistance through their retailer. Between one to four per cent of customers either receiving a disconnection warning notice or owing above $300 on their energy bill are at risk of being disconnected.

Retailers should only disconnect customers as a measure of last resort. Fewer disconnections are a welcome sign. However, disconnection warning notices are the last step prior to disconnection. We are concerned that some retailers are using disconnection warning notices as a key way to engage customers who are behind on payments.

The Victorian energy rules have been designed to help customers receive payment help earlier. Retailers must inform customers who miss a bill about the payment assistance they are entitled to.

Retailers completed fewer disconnections for non-payment in 2022–23

Retailers disconnected fewer residential customers for not paying their bills in 2022–23 compared to 2021–22, mainly driven by fewer disconnections for non-payment from Origin Energy during the implementation of their new IT system.

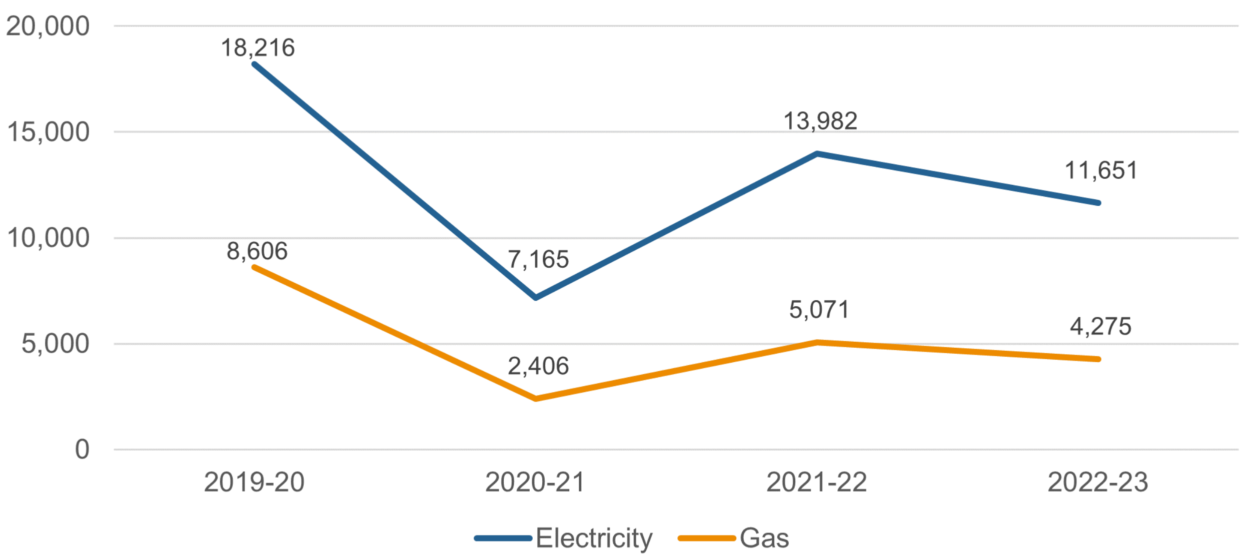
In 2022–23, retailers disconnected 11,651 electricity and 4,275 gas residential customers for non-payment (see Figure 16). This was 17 per cent less for electricity and 16 per cent less for gas compared to 2021–22.

Disconnection for non-payment is a measure of last resort

As part of ensuring that disconnection for non-payment is a measure of last resort, retailers are required to send a reminder notice and a disconnection warning notice (if a customers owes more than $300), which can prompt a customer to engage with the retailer or pay their bill.

After receiving a disconnection warning notice a retailer can disconnect a customer if they owe more than $300 and are not currently receiving payment assistance. A retailer cannot disconnect a customer if they are receiving payment assistance.

Figure 16: Total residential disconnections for non-payment, by fuel



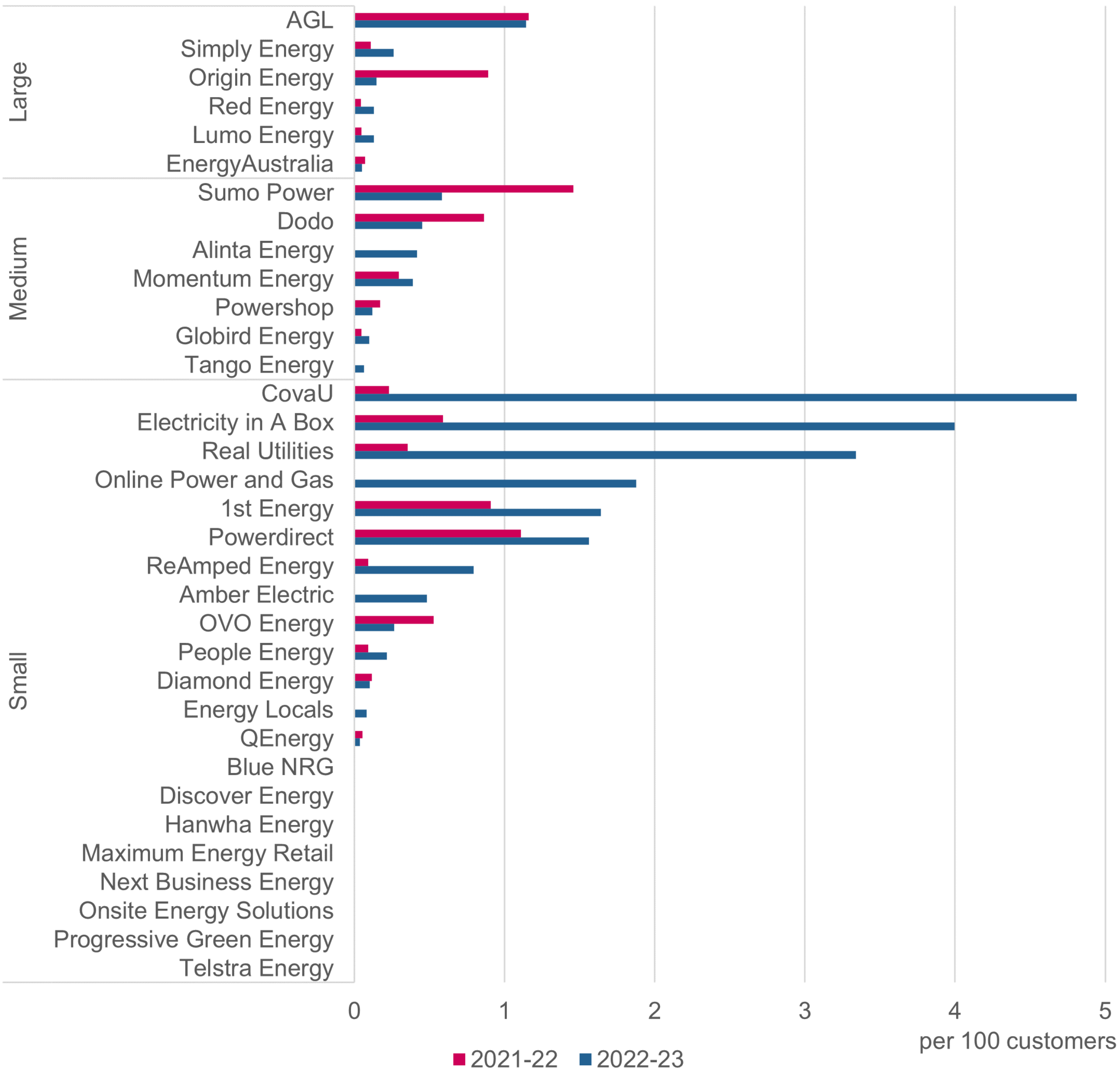
Origin Energy's actions primarily drove the decrease in total disconnections. AGL completed the most disconnections in 2022–23 (64 per cent of all disconnections).

Origin Energy had the second most disconnections, accounting for six per cent of all disconnections.

AGL also had the highest disconnection rate per 100 customers of all large and medium sized retailers in Victoria (see Figure 17).[6]

For 20 per cent of electricity customers disconnected for non-payment in 2022–23, this was not the first time. They had been disconnected previously within the last two years.

Figure 17: Residential electricity disconnections for non-payment per 100 customers, by retailer



[6] Comparing retailers per 100 customers gives a proportionate comparison of performance.

More households received a disconnection warning notice in 2022–23, leaving them at risk of being disconnected

Although more disconnection warning notices were sent during 2022–23, retailers disconnected fewer customers for non-payment. Retailers issued 7,000 more disconnection warning notices to electricity and gas customers in 2022–23 compared to 2021–22 (see Figure 18 and Appendix 1 – Figure 14).

Energy retailers should attempt to contact customers beyond these formal notices to engage with them.

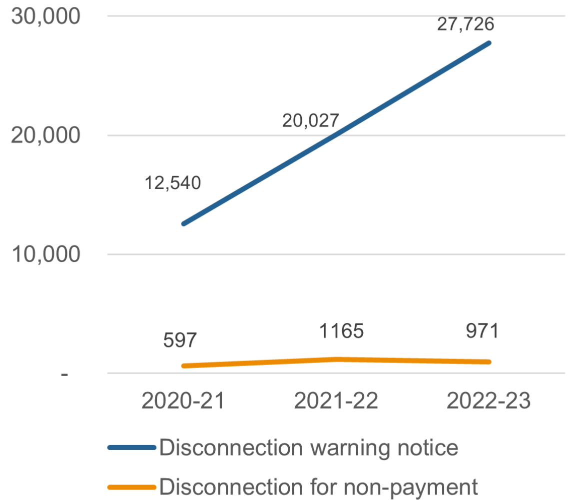
Disconnection warning notices

For customers who do not pay their energy bill, their retailer will send a reminder notice outlining a customer's obligation to pay their bill and a date this must be paid by.

If a customer does not make a payment by the reminder notice's due date, and owes their retailer more than $300, a retailer can issue a disconnection warning notice. This could lead to a customer being disconnected for non-payment.

A customer cannot be disconnected if they are receiving payment assistance.

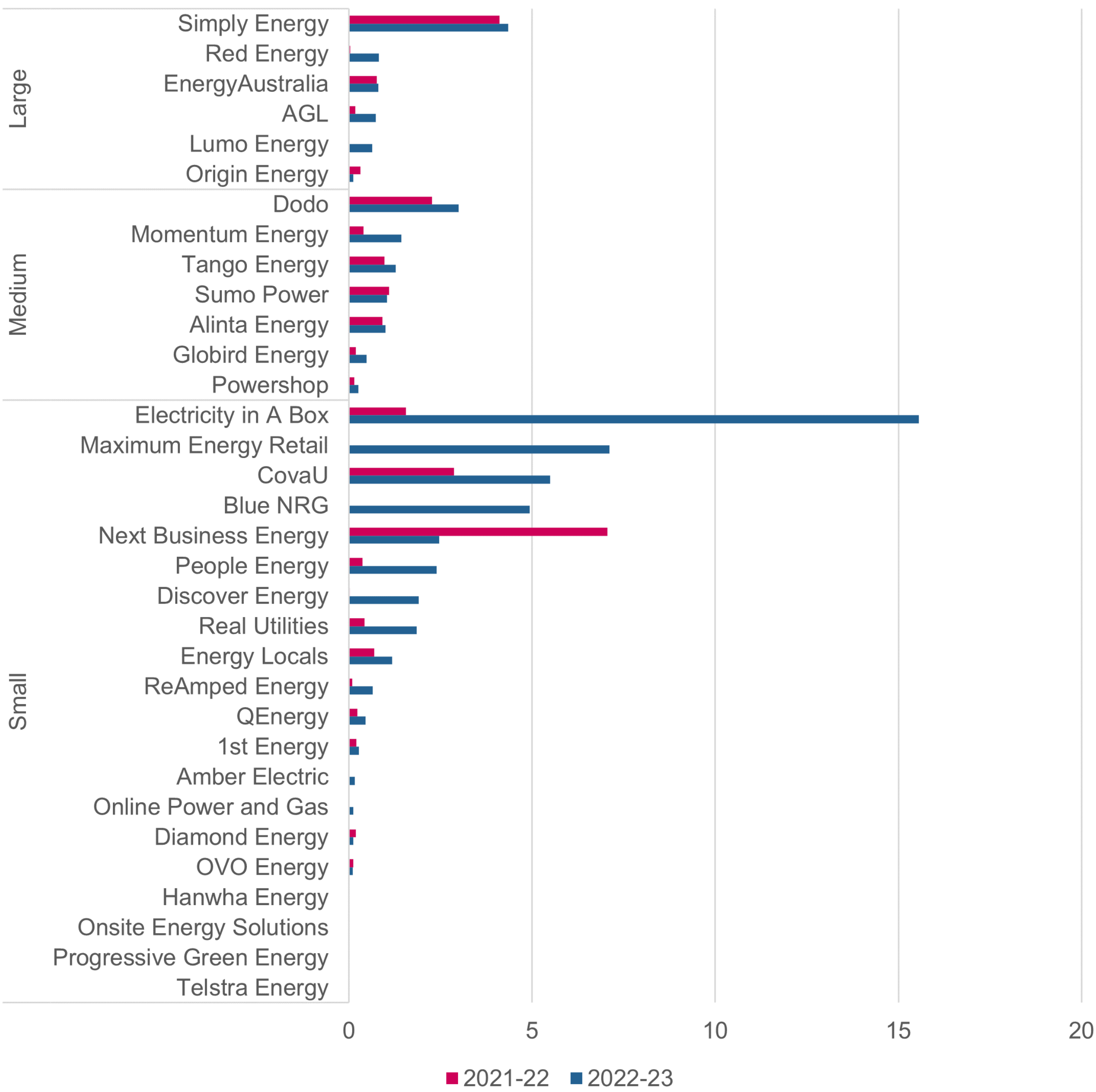
Figure 18: Monthly average number of disconnection warning notices sent and disconnection for non-payment for electricity



The increase in disconnection warning notices came from nearly all retailers in 2022–23. Approximately one per cent of total residential customers received a disconnection warning notice in each month of 2022–23.

Simply Energy sent disconnection warning notices to the highest proportion of their customers – four per cent of their customers each month, the highest rate of all large and medium sized retailers (see Figure 19). Origin Energy sent disconnection warning notices to the lowest proportion of their customers – 0.1 per cent of their customers received a disconnection warning notice each month.

Figure 19: Monthly electricity disconnection warning notices sent, per 100 customers



The increase in disconnection warning notices followed an increase in the number of customers receiving reminder notices in 2022–23. Retailers sent 21,000 more reminder notices to electricity and gas customers respectively each month in 2022–23 compared to 2021–22. This increase in reminder notices was significant between July to December 2022, coinciding with increases in energy prices and other cost-of-living pressures.

The increase in reminder notices issued was more than the increase in disconnection warning notices. This indicates that some customers were able to pay their overdue balance or contact their retailer which stopped their accounts progressing to a disconnection warning notice.

The increase in reminder notices for electricity customers is partially a result of more missed bills. For gas customers, there was no significant change in missed bills that would explain the significant increase in reminder notices.

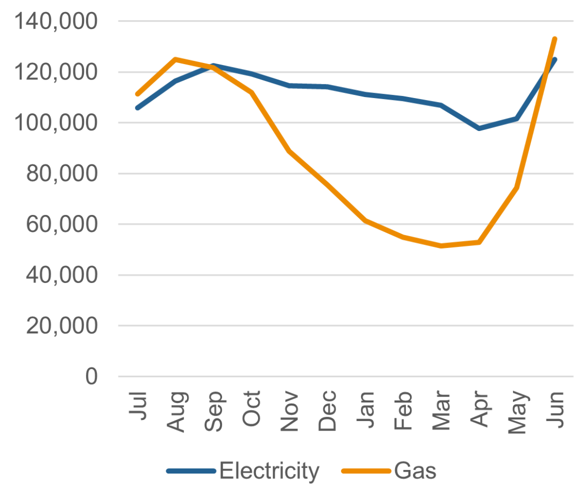
Four per cent of residential electricity and gas customers owe their retailer more than $300 and were not engaged in a payment plan

In 2022–23, 112,022 residential electricity and 88,515 residential gas customers were at risk of being disconnected for non-payment, due to owing at least $300 to their energy retailer (see Figure 20). This represents four per cent of all residential electricity and gas customers.

The average arrears of these customers was $1,264 for electricity and $1,109 for gas (see Figure 21).[7] This is approximately a year's worth of typical electricity bills and seven months of gas bills.[8]

> Under the energy rules, retailers are only allowed to begin steps to disconnect a customer if they owe $300 or more.
>
> Customers who receive assistance from their retailer are protected from being disconnected.

Figure 20: Number of customers who owe more than $300 and are not receiving assistance, by fuel



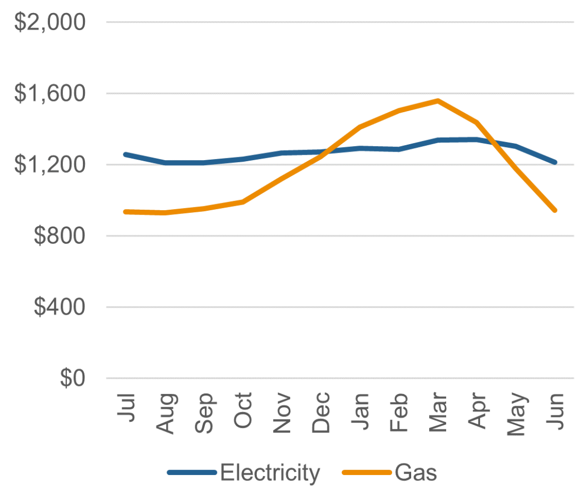
In 2022–23, we started collecting data about customers who are not accessing tailored assistance but owe their retailer money. This provides a leading indicator for customers who may be at risk of disconnection.

EnergyAustralia had the highest proportion of customers who owed more than $300 and were not accessing tailored assistance in 2022–23, at 10 per cent (see Figure 22). This is significantly more than other large and medium sized retailers.

Powershop had the lowest percentage of all medium and large sized retailers, with one per cent of customers who owe more than $300, not accessing or receiving tailored assistance in 2022–23. This could be due to Powershop offering plans where customers can pay in advance for their energy use, and using monthly billing for electricity customers.

Allowing customers to manage energy costs in advance, combined with more frequent billing, may be reducing the possibility of customers accumulating large arrears when missing a bill payment.

Figure 21: Average arrears of customers who owe more than $300 and are not receiving assistance, by fuel



Alinta Energy customers had the highest average arrears, owing $1,897. This is equivalent to a year and half of energy bills being outstanding (see Figure 23).[9]

Simply Energy was the next highest at $1,634. GloBird Energy and Sumo customers had nearly half this debt.

[7] These arrears include all unpaid bills past their due by date.
[8] This is based on the median market offer for 2022–23, assuming 4,000 kWh annual usage for electricity and 54,400 kJ annual usage for gas.
[9] This is based on the median market offer for 2022–23, assuming 4,000 kWh annual usage for electricity and 54,400 kJ annual usage for gas.

Not all customers who have arrears are experiencing payment difficulty

Some customers may fall behind on their payments because they have simply forgotten to pay a bill, or due to a failure of automatic payments (such as from a direct debit arrangement).

Once customers owe more than $55, retailers must provide information to them about their tailored assistance entitlements.

Figure 22: Number of electricity customers who owe their retailer more than $300 but are not receiving assistance, per 100 customers

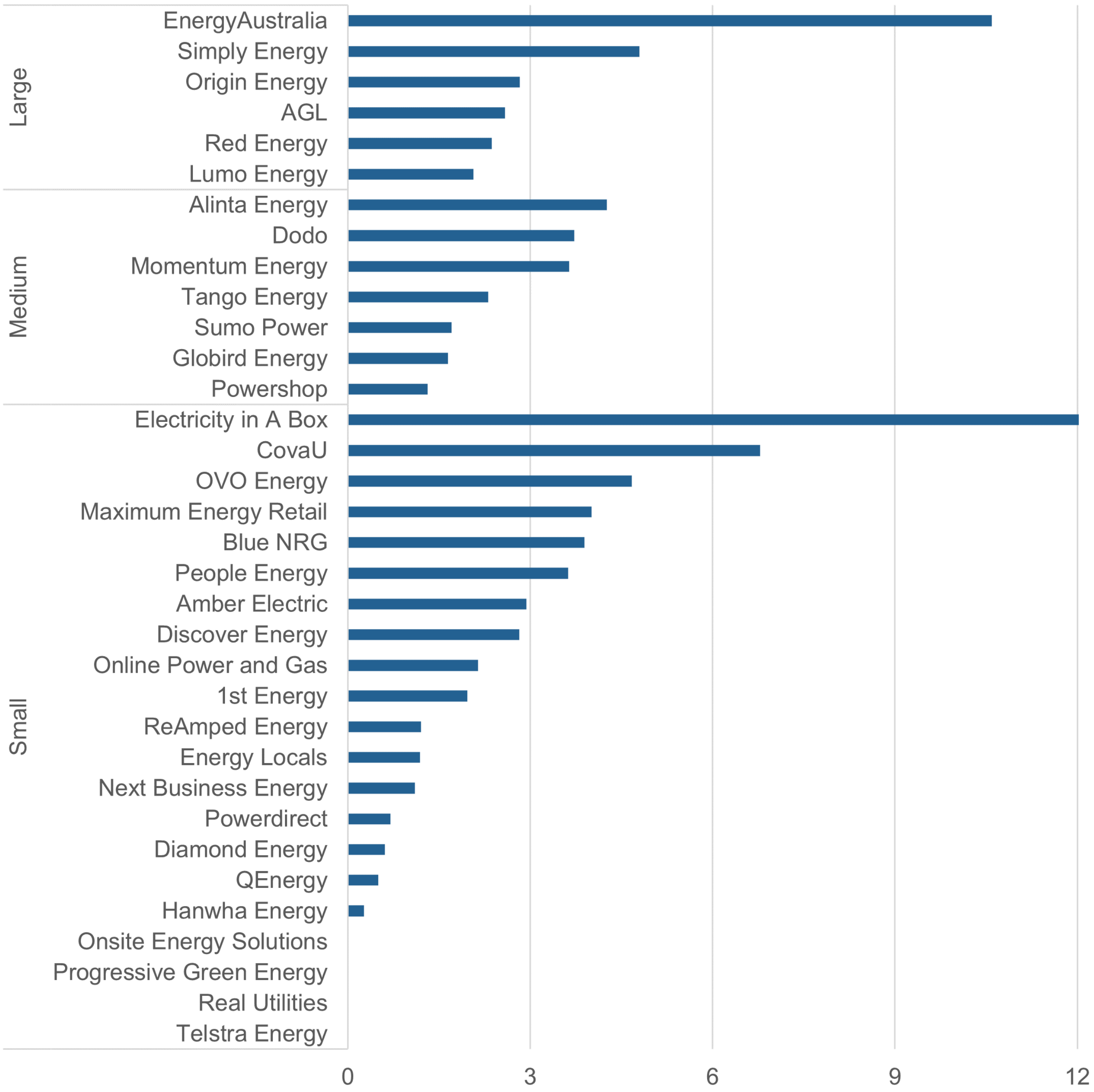
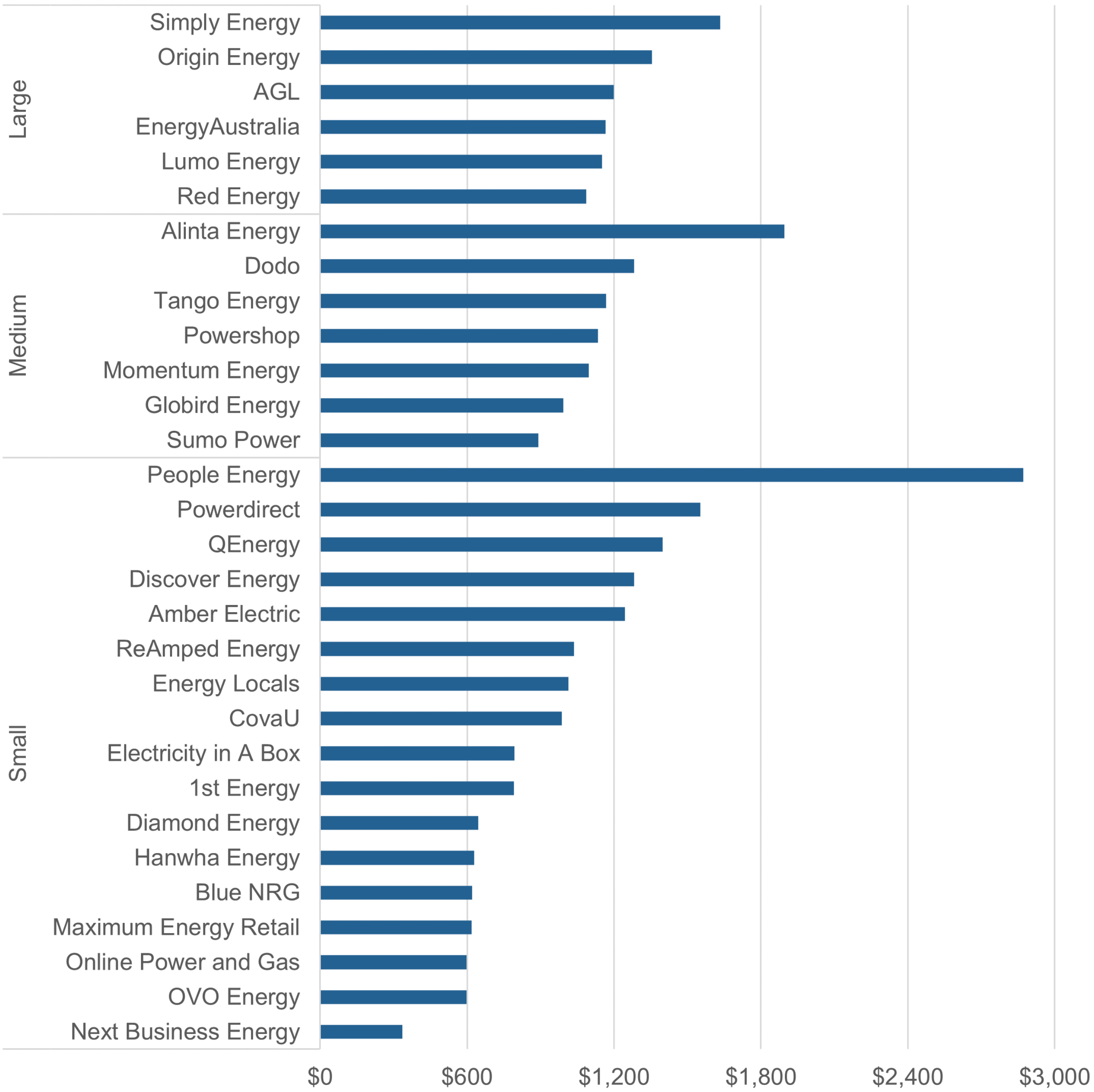


Figure 23: Average arrears of electricity customers who owe their retailer more than $300 but are not receiving assistance, average across 2022–23



The Energy Market Dashboard contains a visual summary of key trends in the energy market and the performance of energy retailers: www.esc.vic.gov.au/energy-market-dashboard

Energy in Victoria

2022–23

- Compliance and enforcement priorities
- Compliance and enforcement activities
- New compliance and enforcement powers contributed to our work protecting Victorian energy consumers
- Transmission company performance
- Energy distributor performance
- Market entry and exit
- Reports and reviews

Energy in Victoria

2022–23

Compliance and enforcement

187 compliance and enforcement actions taken in 2022–23

Victorian energy companies paid $1.65 million in penalties in 2022–23

Wrongful disconnections

$282,394 was paid to 228 customers as wrongful disconnection payments

103 breaches of the disconnection rules in the Energy Retail Code of Practice reported

Transmission and distribution

Statement of expectations released in relation to how electricity transmission companies access private land

We continue to monitor unplanned outages and distributors voltage performance

Market entry and exit

Four electricity generation licences and one electricity retail licence issued

Four Retailer of Last Resort processes initiated, resulting in the transfer of 14,400 customers

Reports and reviews

We are developing the Land Access Code of Practice, to be released by end of 2023

We are reviewing the Gas Distribution System Code of Practice and will publish the final decision in 2024

Compliance and enforcement priorities

The commission sets annual compliance and enforcement priorities at the beginning of each financial year. Several factors inform our focus areas:

- Our objective to promote the long-term interests of Victorian consumers.
- Our industry intelligence gathering from the previous year.
- Our priorities from last year.
- Our Getting to Fair Strategy.

Our actions to meet the 2022–23 priorities

We published our energy compliance and enforcement priorities for 2022–23 in July 2022. We focussed on the following areas of Victoria's energy rules.

Payment difficulty framework

The commission's payment difficulty framework requires energy retailers to help customers who are anticipating or experiencing difficulty paying their energy bills.

We have focussed on retailers' complying with the Payment Difficulty Framework as energy and other costs rise.

We took enforcement actions where we found serious non-compliance with these important consumer protections. For example, Alinta Energy Pty Ltd paid $380,000 for alleged contraventions of these rules in 2022–23.

Protecting customers experiencing vulnerability

Protecting customers experiencing vulnerability is an enduring priority for the commission, particularly those who are affected by family violence or rely on energy for life support equipment.

Customers experiencing vulnerability must be able to trust energy businesses to have strong processes and procedures in place to keep them safe when accessing essential services such as electricity and gas.

As part of our three-year Getting to Fair strategy, we take actions to help break down barriers consumers can face when accessing and engaging with essential services.[1]

Ensuring energy businesses give customers critical life support protections is part of our commitment to protecting customers experiencing vulnerability.

We took enforcement action against 12 energy businesses for contraventions of these rules in 2022–23.

For example, Jemena Electricity Networks (VIC) Limited paid over $795,000 in penalties for allegedly failing to comply with five separate obligations.

Wrongful disconnection of customers' energy supply

The Victorian parliament passed laws in 2021 to increase penalties for wrongful disconnections and to criminalise wrongful disconnection conduct. This signalled the importance that the Victorian community places on ensuring retailers treat energy supply as an essential service and only disconnect customers as a last resort.

We monitored compliance and took enforcement action where appropriate. For example, we accepted enforceable undertakings from AGL Sales Pty Ltd and Momentum Energy Pty Ltd in relation to alleged wrongful disconnections.

Explicit informed consent

Retailers must obtain a customer's explicit informed consent for transactions in the energy market. This includes when transferring customers between retailers.

The aim is for consumers to understand the information about the transaction and clearly provide their consent to it. The commission has zero tolerance for unethical or fraudulent conduct.

We accepted court enforceable undertakings from EnergyAustralia Pty Ltd, Red Energy Pty Ltd and Lumo Energy Australia Pty Ltd following allegations that they failed to obtain explicit informed consent from customers before signing them up to energy contracts.

Best offer messaging

Retailers must follow strict rules to inform customers about whether they are on their best energy offer.

This is essential to make sure customers receive timely, transparent information that helps them to engage confidently with energy businesses and in the market more broadly.

[1] See the commission's website for more information about our Getting to Fair Strategy.

We undertook a proactive compliance project on retailers' best offer obligations and found instances of non-compliance. This resulted in six compliance actions in 2022–23 where we issued warning letters. We also took two enforcement actions in 2023–24 where we issued penalty notices.

Embedded networks' fees and charges

We launched a targeted education campaign to provide information and guidance to exempt sellers and suppliers, as well as embedded network residents.[2] The aim was to encourage compliance with the maximum price cap which applies to most embedded network customers. Embedded network operators cannot charge most customers more than the Victorian Default Offer. We also promoted the adoption of better practice when calculating tariffs and fees for exempt customers. We worked with stakeholders to ensure that published content reaches a broad audience, including non-English speakers, and those who have difficulty with English.

Distributors' guaranteed service level compensation payments

We monitored electricity distribution businesses' compliance with rules requiring them to pay consumers when they do not meet guaranteed service levels. Guaranteed service levels cover areas such as missed or late appointments, delayed new customers connections, and supply restoration and supply reliability benchmarks.

We analysed distributors' processes and published a consumer fact sheet about the guaranteed service level payment scheme.[3] This includes information about what steps a customer can take if they are eligible for a payment but have not received it.

Our priorities for 2023–24[4]

Payment difficulty framework - We will ensure customers receive their entitlements to assistance under the payment difficulty framework.

Wrongful disconnections - We will ensure disconnection can only be used when all other options have been explored with the customer.

Helping customers navigate the energy market - We will ensure retailers comply with their obligations to provide customers with clear, timely and accurate information to make informed decisions.

Protecting customers experiencing vulnerability - We remain committed to helping Victorians who are experiencing, or at risk of experiencing, vulnerability to access essential services. This is an enduring priority for the commission.

2 See the commission's website for more information about embedded networks.
3 See the commission's website for more information about the guaranteed service level payment scheme.
4 See the commission's website for more information about our priorities for 2023–24.

Compliance and enforcement activities

The commission took 187 compliance and enforcement actions in 2022–23. This includes Victorian energy companies paying $1.65 million in penalties.

The trend of strong enforcement action in recent years demonstrates our commitment to protecting the long-term interests of Victorian energy consumers.

Our compliance and enforcement actions during 2022–23 demonstrate our particular focus on monitoring non-compliance and addressing serious consumer harm resulting from alleged contraventions.

We took action against energy retailers and distributors for alleged non-compliance involving:

- failure to notify life support and non-life support customers of planned interruptions
- wrongful disconnections
- payment difficulty protections for consumers
- charging customers more than was allowed
- explicit informed consent
- prohibited door-to-door sales activities.

Our enforcement actions

Penalty notices to Jemena for allegedly failing to comply with multiple life support obligations, and failing to notify customers of a planned interruption

In June 2023, Jemena Electricity Networks (Vic) Limited paid over $795,000 in penalties for allegedly failing to comply with five separate obligations (including life support obligations) within a seven-month period. These alleged failures affected 13 life support customers and 30 non-life support customers.

The Electricity Distribution Code of Practice places obligations on energy distribution businesses once a customer advises that a person at their premises requires life support equipment.

We alleged that Jemena failed to:

- notify a life support customer and non-life support customers of a planned electricity supply interruption
- notify electricity retailers that some customers required life support equipment within required timeframes
- send a customer required information about their life support registration within required timeframes.

These rules protect energy consumers. They particularly protect consumers who may be experiencing vulnerability such as customers relying on power for life support equipment. We will continue to act when we uncover evidence that energy businesses contravene such important consumer protections.

Penalty notices to AusNet for allegedly failing to notify customers, including a life support customer, of a planned interruption

In April 2023, AusNet Electricity Services Pty Ltd (AusNet) paid over $40,000 in penalties for allegedly failing to notify four customers, including a life support customer, of a planned power supply interruption in Wodonga in June 2022.[5]

Our rules protecting life support customers are amongst the most important that we administer.

Supporting consumers who are experiencing vulnerability is a key compliance and enforcement priority for the commission.

We monitor energy businesses to ensure that they provide life support related consumer protections to Victorian consumers.

AusNet advised us, under the Victorian energy breach reporting framework, that it had failed to give the life support customer notice of the planned power interruption.

On further investigation, we identified that AusNet had allegedly failed to notify another three customers affected by the planned power supply interruption.

The Electricity Distribution Code of Practice requires energy distribution businesses such as AusNet to give customers at least four business days' notice, in writing, of planned interruptions to electricity supply.

5 The penalty notice amount for a contravention in that period was limited to 56 penalty units. The penalty notice amount is now significantly larger, at 200 penalty units (currently $38,462). Any penalty notices for equivalent contraventions in the future will attract these higher penalty amounts.

Penalty notices to Mojo Power and QEnergy for allegedly charging customers more than allowed

In January 2023, Mojo Power East Pty Ltd (Mojo Power East) and QEnergy Ltd (QEnergy) paid penalty notices issued by the commission.

Each retailer paid over $180,000 in penalties after they allegedly charged over 470 customers more than they were allowed to under the Victorian Default Offer between January and February 2022.

The Victorian Default Offer is a simple and trusted price for electricity we set. This action emphasises every Victorian energy consumer's right to be billed correctly.

Penalty notices to Alinta Energy for allegedly failing to provide adequate assistance to customers in hardship

In January 2023, Alinta Energy Retail Sales Pty Ltd (Alinta Energy) paid over $380,000 in penalties. Alinta Energy allegedly failed to provide adequate assistance to 13 residential customers experiencing payment difficulty between December 2021 and March 2022.

We alleged that Alinta Energy required four of the 13 customers to speak to a financial counsellor before it provided assistance.

The other customers received some assistance, but not all the forms of assistance that Alinta Energy was required to offer them. This matter demonstrates that placing barriers in front of customers seeking payment assistance is unacceptable.

Penalty notices to Origin Energy for alleged breaches of life support and payment difficulty rules

In August 2022, Origin Energy Electricity Limited (Origin Energy) paid two penalties totalling $72,696 after it allegedly breached rules that protect customers relying on electricity for life support, or who are facing payment difficulties.

For one penalty notice, we alleged that Origin Energy failed to action a request for payment assistance from a financial counsellor acting on the customer's behalf.

For the second penalty notice, we alleged that after being notified that a customer required life support equipment, Origin Energy failed to register the customer's premises appropriately and provide the required information. We further alleged that Origin Energy failed to notify the relevant distributor within the required timeframes.

Enforceable undertaking for alleged explicit informed consent breaches: EnergyAustralia, Red Energy and Lumo Energy

In August 2022, the commission accepted court enforceable undertakings from EnergyAustralia Pty Ltd, Red Energy Pty Ltd and Lumo Energy Australia Pty Ltd. This followed allegations that they failed to obtain explicit informed consent from customers before signing them up to energy contracts.

> Explicit informed consent is a fundamental consumer protection under our energy rules. Customers must be properly informed about an energy plan and must give their explicit consent to enter a contract or transaction for that plan.

Enforceable undertaking for alleged payment assistance breaches and wrongful disconnections: AGL

In August 2022, the commission accepted a court enforceable undertaking from AGL Sales Pty Ltd (AGL). This followed allegations it failed to comply with rules that protect customers facing payment difficulties, and unlawfully disconnected customers.

We alleged that AGL applied system controls that restricted customers from receiving application forms for the Victorian Government's utility relief grant scheme.

We also alleged that AGL wrongfully disconnected three customers after it failed to provide them with payment assistance.

Enforceable undertaking for alleged wrongful disconnection: Momentum Energy

In February 2023, the commission accepted a court enforceable undertaking from Momentum Energy Pty Ltd (Momentum Energy). This followed allegations that it had unlawfully disconnected electricity to the home of a family violence affected customer who was facing payment difficulties.

We alleged that Momentum Energy wrongfully disconnected a customer for non-payment of bills after an IT error meant Momentum Energy did not place an intended hardship flag on the customer's account. The flag would have prevented the disconnection.

Enforceable undertaking for alleged failure to comply with ban on door-to-door retail energy sales: 1st Energy

In May 2023, the commission accepted a court enforceable undertaking from 1st Energy Pty Ltd (1st Energy). This followed allegations that it failed to comply with the state-wide ban on door-to-door energy sales that came into effect in December 2021.

We alleged that 1st Energy signed up 81 customers on new energy contracts following representatives of a third-party sales agency making unsolicited approaches at the customers' homes.

Enforcement outcomes in 2023–24

Red Energy paid penalty notices for alleged breaches of customers 'best offer' rules

In October 2023, Red Energy Pty Ltd (Red Energy) paid over $250,000 in penalties, after the retailer allegedly breached rules related to providing best offer information to Victorian consumers.

The Energy Retail Code of Practice requires energy retail businesses to regularly communicate their best offers to customers via their energy bills – every three months for electricity bills, and every four months for gas bills. Retailers must also tell customers if they are on the best offer, and how much they could potentially save by switching if a better offer is available.

We alleged that Red Energy communicated incorrect best offer information to 30,982 customers over a two-week period in 2022. We further alleged that Red Energy failed to provide 15 customers with any best offer information on their bills within prescribed timeframes over three years (2019–2022).

AGL paid penalty notices for alleged breaches of customers 'best offer' rules

In October 2023, AGL Sales Pty Ltd (AGL) paid $799,656 in penalties, after it allegedly breached rules relating to providing Victorian energy customers with accurate information about their best offer.

Evidence gathered showed 22 customers did not receive the accurate best offer information they were entitled to from AGL as a result of the alleged calculation errors by AGL in respect of each customer. AGL detected the conduct following a proactive compliance project regarding retailers' best offer obligations. We will continue to monitor energy companies to make sure they meet their obligations to customers and will not hesitate to take action where we find evidence of contraventions.

Penalty notices paid by AGL for allegedly wrongfully disconnecting a customer experiencing payment difficulty

In September 2023, AGL paid over $70,000 in penalties after it allegedly wrongfully disconnected a customer for non-payment of electricity bills. We alleged that AGL failed to apply an approved Victorian Government bill relief credit to the customer's arrears.

AGL also allegedly failed to report the wrongful disconnection to us within the prescribed reporting timeframe. Under our energy rules, disconnecting customers' energy supply for non-payment must be a measure of absolute last resort. Retailers must have robust systems and processes in place that reliably provide customers with payment assistance, including timely application of approved credits and grants.

Our compliance actions

The goal of our compliance work is to actively support voluntary compliance with Victorian energy rules.

We continue to monitor and act on non-compliance using various compliance actions in line with the commission's compliance and enforcement policy.

In 2022–23, we took a range of actions to assist energy businesses to comply with the rules and to deter future non-compliant conduct. Table 1 summarises these.

Table 1: Compliance actions in 2022–23

	July - September 2022	October - December 2022	January - March 2023	April - June 2023	Totals
Warning letters	33	12	16	12	**73**
Education letters	1	2	4	1	**8**
Compliance actions	35	30	19	7	**91**
Compliance reviews	0	0	0	3	**3**
Customer enquiries	223	150	138	174	**685**

Guidelines to promote compliance with energy rules

Best offer guideline

Energy retailers must regularly display prominent information on customers' bills telling them whether or not they are receiving their retailer's best offer.[6]

The best offer obligations were a compliance and enforcement priority for the commission in 2022–23. We commenced a review of retailers' compliance with the best offer obligations in April 2022 as part of our proactive compliance program.

Our review identified some non-compliance, several areas for improvement, and some better practice examples. We identified that the industry required the most guidance about the form, contents and appearance of best offer messages.

The review resulted in enforcement action:

- Red Energy Pty Ltd paid over $250,000 in penalties for allegedly contravening the best offer obligations.
- AGL Sales Pty Ltd paid over $799,000 in penalties for allegedly contravening the best offer obligations.

We also issued six warning letters to Victorian retailers. The warning letters related to calculating the best offer message and how often customers received it.

In November 2023, we published the best offer guideline on our website. The guideline makes the commission's compliance expectations clear, assisting energy businesses to comply with their best offer obligations.

Payment difficulty framework guideline

In 2023–24, we are reviewing the Energy Compliance and Enforcement Policy: Guidance note – Payment difficulty and disconnection.[7]

We developed the current guidance note in late 2017, ahead of implementing the payment difficulty framework on 1 January 2019. We intended the guidance note to assist retailers with establishing their systems, processes, and training prior to the new rules commencing. It also set out our compliance expectations for almost every provision in the framework.

With over three and half years since implementing the framework, and following our review of PDF implementation, we are reviewing the current guidance note.[8]

As part of this review, we sought feedback from Victorian retailers who sell energy to residential customers on which obligations they considered most needed greater clarity or guidance.

[6] These requirements are outlined in clauses 108-111 of the Energy Retail Code of Practice (the best offer obligations).
[7] See commission's website for more information about the Guidance note - payment difficulty and disconnection.
[8] See commission's website for more information about the Payment difficulty framework implementation review.

We also provide better practice examples to encourage retailers to adopt industry best practice. The guideline covers the following areas:

- The contents of both positive and negative best offer messages.
- That the calculation takes into consideration customers annual usage.
- The appearance of the best offer message including the prominence and location on the bill.

We will continue to work with retailers to improve their compliance with these important customer protections and take enforcement action where there are serious contraventions of the rules.

Compliance reviews – disconnections

Overview

The commission requires regulated entities to undertake independent compliance reviews to assess the extent to which they adhere to their obligations. Energy retailers' obligations include those found in legislation, the commission's codes of practice and licence conditions. Compliance reviews aim to increase transparency and accountability of the industry by focusing on the areas where consumer harm can be the greatest.

Compliance reviews are an integral part of our strategy to ensure retailers give consumers the protections in Victoria's energy regulations. They impartially assess how specific retailers comply with certain rules.

In March 2023, we directed Powershop Australia Pty Ltd (Powershop), Simply Energy and EnergyAustralia Pty Ltd (EnergyAustralia), to each appoint an independent reviewer to conduct a compliance review of their relevant energy disconnection processes.[9] The reviews are part of our proactive compliance program. They aim to better understand the root causes of wrongful disconnections and identify opportunities to prevent future breaches.

These reviews are the first step in our ongoing work to reduce the impact of wrongful disconnections on Victorian energy consumers.

Scope of the review

The review focused on the retailers' compliance with the following provisions:

- clause 191 of the Energy Retail Code of Practice (ERCoP) – procedures for customer-initiated disconnection requests
- section 40SQ of the Electricity Industry Act 2000 and section 48DS of the Gas Industry Act 2001 – circumstances where supply may be disconnected:
  - for a customer who takes over supply at a property without entering a contract with a retailer
  - for a customer whose contract expires or terminates and who do not enter a new contract with the retailer
  - if the relevant customer refuses or fails to take appropriate steps to enter into a contract for energy supply.

Findings

The independent reviewers' final reports show that overall, Powershop, Simply Energy and EnergyAustralia have a combination of preventative, detective and corrective controls in place. These are designed to help avoid wrongful disconnection of Victorian consumers.

All three retailers regularly undertake quality assurance and compliance checks of frontline staff's interactions with customers across various contact channels. These quality assurance programs include disconnection of energy supply. The retailers also have comprehensive internal and external reporting processes to identify potential disconnection issues and report them.

The reviews highlighted four key areas which primarily cause wrongful disconnections:

- multiple data entry points increase the risk that disconnections may not be raised in accordance with a customer's request
- inadequate controls that allow frontline staff to raise disconnection requests incorrectly
- inadequate mandatory checks of disconnection requests that caused failures to identify errors
- inadequate controls that resulted in changes to a disconnection warning notice that was non-compliance with the rules in the Energy Retail Code of Practice.

Remediation

Powershop, Simply Energy and EnergyAustralia have all made some positive changes to mitigate human error risks and improve their compliance with Victoria's energy disconnection rules. For example, following the reviews, all three retailers have included or enhanced a control mechanism through SMS text or email confirmations for disconnections.

9 The licensees are Ipower Pty Ltd and Ipower 2 Pty Ltd trading in partnership as Simply Energy.

Next steps

Each retailer has agreed to a remediation plan to address each independent review's findings. We will seek regular updates from each retailer as it implements each of the measures taken to remediate the issues the reviews detected. More broadly, we are committed to working closely with all retailers to promote ongoing compliance with Victoria's energy disconnection rules.

Enquiries

We received 685 enquiries from consumers between 1 July 2022 and 30 June 2023.

The largest number of enquiries received was about retailers' offers and tariffs.

The enquiries are a valuable information source. They can inform our compliance and enforcement activities, including potential investigations and proactive compliance actions.

Some examples of enquiries we received in 2022–23 include:

- issues and questions relating to retailers' offers and tariffs, including the Victorian Default Offer
- customers enquiring about how to access lower cost energy offers
- customer queries about significant electricity and gas price increases
- customers making enquiries after their retailer had gone out of business, including:
  - which retailer of last resort those customers had been transferred to
  - issues with refunds and account credits
- issues relating to retailers' and embedded network operators' billing, including:
  - embedded network operators seeking information about the prices they were allowed to charge
  - unexpected high bills
  - bill estimates based on historical data.

New compliance and enforcement powers enhanced our work protecting Victorian energy consumers

Parliament gave the commission new compliance and enforcement tools in December 2021. This included new powers to investigate and act against Victorian energy businesses. We use these powers to protect Victorian energy consumers.

This can include taking strong enforcement action such as issuing penalties or commencing court action against Victorian energy businesses where we allege non-compliance with the rules.

We appointed inspectors with the ability to search and gather evidence

The commission appointed 13 compliance and enforcement staff members as inspectors under the Essential Services Commission Act 2001 in 2022–2023.

The entry and search powers available to our inspectors are a tool to gather evidence as part of our investigations and allow us to continue serving the community by keeping energy businesses accountable.

We recognise that the ability to enter premises to search and gather evidence is a significant responsibility. We take this very seriously.

Using enforceable undertakings

We have also accepted court enforceable undertakings from energy businesses.

For example, we accepted a court enforceable undertaking from Momentum Energy Pty Ltd in relation to allegations it unlawfully disconnected electricity to the home of a family violence victim-survivor experiencing financial difficulties.[10]

Enforceable undertakings guideline

In March 2023, we published our enforceable undertakings guideline to assist regulated entities and persons who are considering offering an enforceable undertaking to us. The guideline explains:

- the commission's power to accept an enforceable undertaking
- the process for offering an enforceable undertaking to the commission
- the commission's general expectations concerning the form and acceptable terms for an enforceable undertaking
- the consequences of entry into an enforceable undertaking with the commission
- the consequences of breaching an enforceable undertaking.

Information gathering notice guideline

We also published a guideline relating to our compulsory information gathering powers.

This guideline supports individuals and businesses to understand and comply with our compulsory information gathering notices.

The guideline aims to assist recipients of information gathering notices to respond to those notices. The guideline outlines:

- requirements for recipients when responding to a notice
- consequences of not responding to a notice.
- how to approach requests to vary a notice
- the use and disclosure of information or documents we obtain pursuant to an information gathering notice.

New enforcement actions register

We established a register of enforcement actions on our website.[11]

The register improves the transparency and accountability of the commission's enforcement outcomes related to the energy businesses we regulate.

The register includes information about:

- contravention orders
- enforceable undertakings
- penalty notices
- wrongful disconnection penalty notices.

[10] We have more information about the range of court enforceable undertakings that the commission has accepted from energy businesses in 2022-23 later in this report.
[11] https://www.esc.vic.gov.au/register

Our approach to compliance and enforcement

Compliance and enforcement policy

The commission's compliance and enforcement policy outlines how we direct our compliance and enforcement resources to assist regulated entities to comply with the rules.

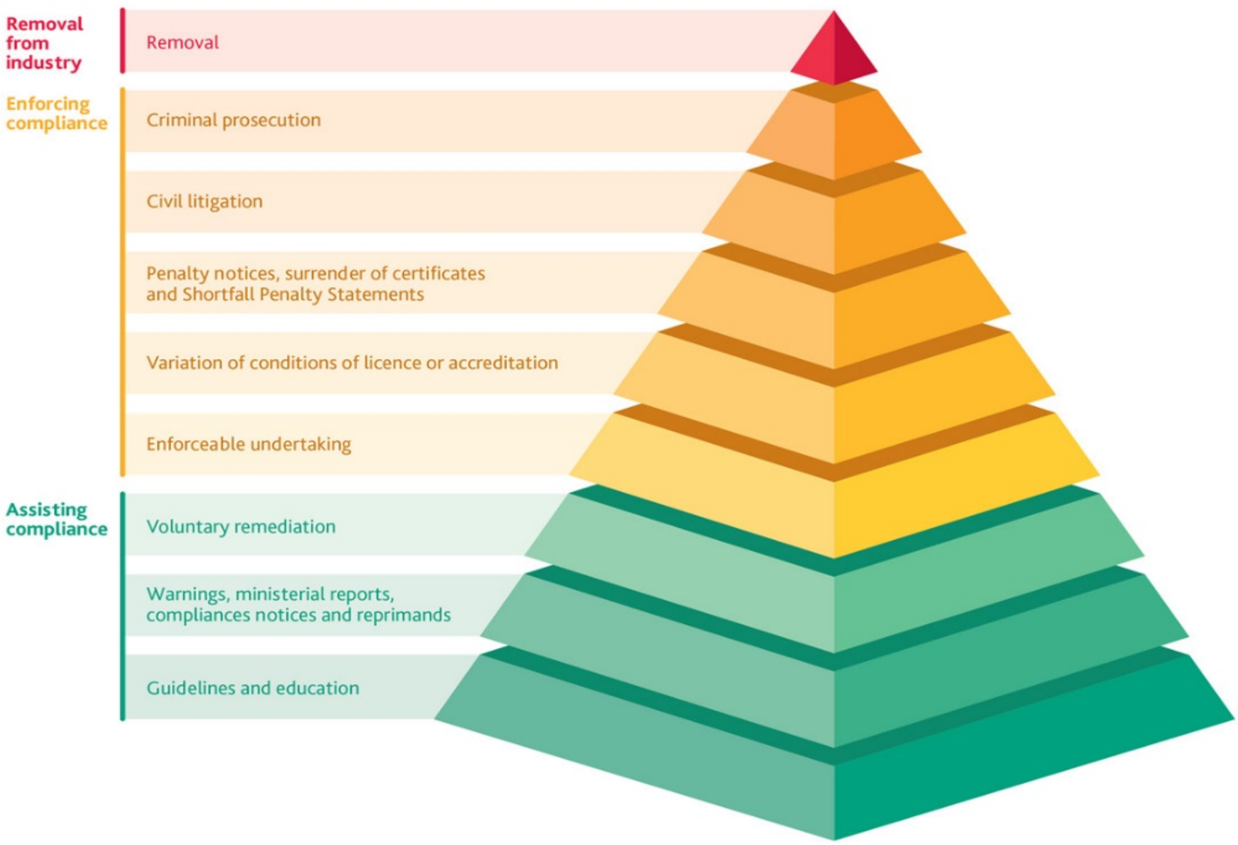
It also explains how serious contraventions can escalate to the commission taking enforcement action.

Our risk-based compliance and enforcement approach seeks to deter energy businesses contravening protections designed to prevent harm to Victorian energy customers.

This is particularly the case for customers who may be experiencing vulnerability, which is an enduring compliance and enforcement priority for the commission.

Our policy's compliance and enforcement pyramid summarises the approach (see Figure 1).

Figure 1: The commission's compliance and enforcement pyramid



Wrongful disconnections

This section provides an overview of our compliance and enforcement activities regarding wrongful disconnections for 2022–23.

Our data shows that for 2022–23:[12]

- $282,394 was paid to 228 customers as wrongful disconnection payments[13]
- 103 breaches of the disconnection rules in the Energy Retail Code of Practice were reported to us
- the most common cause of breaches related to retailers not arranging a disconnection in accordance with a customer's request
- the other common causes of wrongful disconnections related to the circumstances where:
  - a customer takes over supply at a property without entering a contract with a retailer
  - a customer's contract expires or terminates and who does not enter a new contract with the retailer
  - the relevant customer refuses or fails to take appropriate steps to enter into a contract for the supply of energy.

Energy retailers must pay an energy customer a prescribed amount if they disconnect that customer's energy supply in breach of their contract. The Gas Industry Act 2001 and the Electricity Industry Act 2000 prescribe wrongful disconnection payments.

Table 2 breaks down breaches reported to us by the clauses in the rules. The rules include the Energy Retail Code of Practice (ERCoP), the Electricity Industry Act 2000 (EI Act), the Gas Industry Act 2001 (GI Act) and the former Energy Retail Code (ERC).

The most commonly reported breach related to clause 191(1) of the Energy Retail Code of Practice. This clause requires retailers to use their best endeavours to arrange a disconnection in accordance with a customer's request.

[12] We have collated data from self-reported breaches and breaches that we have identified through our own investigations, consumer enquiries we received, financial counsellors contacting us and referrals from the Energy and Water Ombudsman (Victoria).

[13] This figure reflects the date a customer received a wrongful disconnection payment. The date the wrongful disconnection occurred may have occurred in a different financial year. This data was current as at 21 September 2023.

Table 2: Wrongful disconnections by obligation in Victorian energy rules in 2022–23[14]

Summary of obligations	Number of wrongful disconnections reported
ERCoP – clause 191(1): On request, a retailer must disconnect a customer and finalise the account.	31
EI Act – section 40SQ and GI Act - section 48DS: The circumstances in which a retailer may disconnect a customer for non-notification when moving in or carrying over.	30
EI Act – section 40SM and GI Act - section 48DO: Supply of electricity may be disconnected for non-payment of bill or failure to comply with terms of relevant assistance.	11
ERCoP – clause 182: Requirements for reminder notices.	7
ERC – clause 115: The circumstances in which a retailer may disconnect a customer for non-notification when moving in or carrying over.	4
ERCoP – clause 129: Information about assistance available.	4
ERC – clause 118: On request, a retailer must disconnect a customer and finalise the account.	3
ERCoP – clause 185: Requirements for disconnection warning notices.	3
ERC – clause 116: When a retailer may not de-energise a customer's premises.	2
ERCoP – clause 184: Requirements for intention to disconnect notices.	2
ERCoP – clause 187: Residential customer only to be disconnected as a last resort for non-payment.	2
ERCoP clause 141: Retailer obligations to contact residential customers or provide the required payment difficulty information	2
ERC – clause 111: De-energisation for not paying bill (small customer who is not a residential customer).	1
EI Act – section 40SS and GI Act - section 48D: Supply of electricity may be disconnected for non-payment of bill or failure to comply with terms of relevant assistance.	1

Note: The Energy Retail Code was remade as the Energy Retail Code of Practice effective from 1 March 2022.

[14] Number of wrongful disconnection payments made to customers in 2022–23, as at 28 September 2023. This is based on when customers were compensated.

Transmission company performance

AusNet Transmission Group's reporting on land access

The commission has developed a statement of expectations in relation to how electricity transmission companies access private land.

Transmission companies often require access to private land to conduct surveys for new transmission projects. These companies will either enter into voluntary agreements with landowners to access their land or may use their statutory powers.

The statement particularly aims to address the way transmission companies access private land using their statutory powers.

The statement took effect on 1 June 2022 and will apply until the enforceable Code of Practice we are developing comes into effect.

In the interim, transmission companies that access land using their statutory land access powers must report on their performance against the principles in the statement of expectations to the commission each month.

AusNet Transmission Group Pty Ltd (AusNet) submits these monthly reports, as it is using these powers in relation to the Western Renewable Link project.

From June 2022 to July 2023 these reports show that:

- AusNet accessed land on 165 occasions under voluntary agreements
- AusNet used its statutory powers to access land on 29 instances
- the Energy and Water Ombudsman (Victoria) received six complaints in relation to AusNet's use of its statutory land access powers.

Overall, land was accessed on a total of 236 private land parcels.[15] A total of 250 face-to-face meetings were recorded and 509 voluntary access agreements were under negotiation during 2022-23.

We are using this information to inform our development of an enforceable Land Access Code of Practice, and to monitor the transmission companies' practices when accessing private land.

[15] Please note that a landowner can own more than one land parcel. One land access agreement or s93 notice can pertain to several parcels at once. This is why there is a discrepancy between land parcels accessed and land access under voluntary consent.

Energy distributor performance

Unplanned outages

The average duration of outages increased in 2022–23

A distributor must notify customers in advance if it plans to shut off a customer's supply. However, customers may experience unplanned outages from time to time.

There are two measures electricity distributors commonly use to evaluate their networks' reliability:

- unplanned System Average Interruption Frequency Index (SAIFI) – the number of times electricity supply was interrupted without warning per customer
- unplanned System Average Interruption Duration Index (SAIDI) – the duration of unplanned interruptions per customer.

In 2022–23, Victorian customers experienced a comparable number of outages (SAIFI) to the previous financial year, with a slight increase of two per cent (see Table 3).[16]

There was an overall increase in the average duration of outages (SAIDI) across Victoria by seven per cent compared to previous year.[17]

Table 3: Average unplanned interruptions per customer

Distributor	2021-22	2022-23	% change [18]
AusNet Services	1.15	1.21	5.77
Citipower	0.23	0.23	0.60
Jemena	0.70	0.68	-2.34
Powercor	1.19	1.19	-0.42
United Energy	0.47	0.41	-14.26

Table 4: Minutes of unplanned interruptions per customer

Distributor	2021-22	2022-23	% change [19]
AusNet Services	155.99	170.70	9.43
Citipower	18.78	16.34	-13.01
Jemena	46.40	39.12	-15.70
Powercor	98.60	114.54	16.17
United Energy	36.85	30.91	-16.13

Connecting electricity to new developments

Electricity distribution businesses must provide a report to the commission about their performance against the Greenfields Negotiated Electricity Connection Customer Service Standards (the standards) every six months. The standards measure the time they take to complete key steps of the negotiated connections process. They also support continuous process improvement related to new housing developments' underground connections.

On 27 March 2023, we made a final decision directing distribution businesses to report on the revised standards over the next regulatory period (1 April 2023 to 31 March 2026).

The standards require distributors to form a consultative committee to meet regularly to discuss process improvements.

The standards also require distributors to report regularly and publicly on their performance. They apply to AusNet Services, Jemena, Powercor and United Energy. CitiPower has voluntarily developed standards relating to connecting brownfields developments (it does not have any greenfields sites in its distribution area).

Background

The Minister for Finance requested the commission undertake a review of distributors connecting electricity to new residential developments due to significant delays in 2018. Electricity distributors made commitments to improve their processes following the review.

The commission developed standards for distributors to address the delays from March 2021.

Distributor performance against the standards

Most distributors improved their performance over the past 12 months, particularly regarding auditing processes and the time to tie-in new developments with electricity.

However, two distributors have not performed against their own set targets relating to master plan reviews (Jemena and Powercor), and design reviews (Jemena).

Reviewing designs and masterplans for new connections are important steps. A distributor must approve them before construction can begin.

[16] SAIFI is calculated as described in the AER distribution Reliability Measures Guideline
[17] SAIDI is calculated as described in the AER distribution Reliability Measures Guideline
[18] Calculated from the raw data
[19] Calculated from the raw data

A developer may need to modify its designs or masterplans prior to approval.

For the review of masterplans, Powercor noted that its performance reporting includes measuring time for actions outside of its control.

Jemena has consistently reviewed fewer masterplans than its performance target. It has also reviewed fewer designs than its performance target.

Jemena has recently increased its design team resourcing and is completing a further design process review to allow further process efficiencies.

It is also recruiting and improving processes relating to reporting accuracy, although Jemena has reported this to us twice in the last 12 months.

Appendix 2 outlines Victorian electricity distributors' performance relating to their specific Greenfields Negotiated Electricity Connection Customer Service Standards.

Voltage performance

Maintaining steady and compliant voltage levels is important for electricity consumers. Electricity distributors must maintain voltages within certain levels under rules in the Electricity Distribution Code of Practice.

This is to ensure supply quality to consumers and to reduce adverse effects on electrical appliances and the performance of solar panel systems.

Electricity distributors in Victoria must report their voltage performance to the commission on a quarterly basis.

We periodically publish a visual summary of voltage data trends on our website. This includes data on over-voltage, under-voltage and the factors that impact a distributor's ability to achieve compliance.

A distributor is generally compliant with voltage performance obligations if it achieves 'functional compliance'.

This means a measurement where a distributor maintains up to one per cent of total measurements below 216 volts, and up to one per cent of measurements above 253 volts across at least 95 per cent of its customer base.

The horizontal red line in the graphs below show the threshold for functional compliance.

We will continue to monitor and engage with distributors regarding their functional compliance with voltage performance standards.

Figure 2: Percentage of NMIs above 253V for more than one per cent of the time (over-voltage)

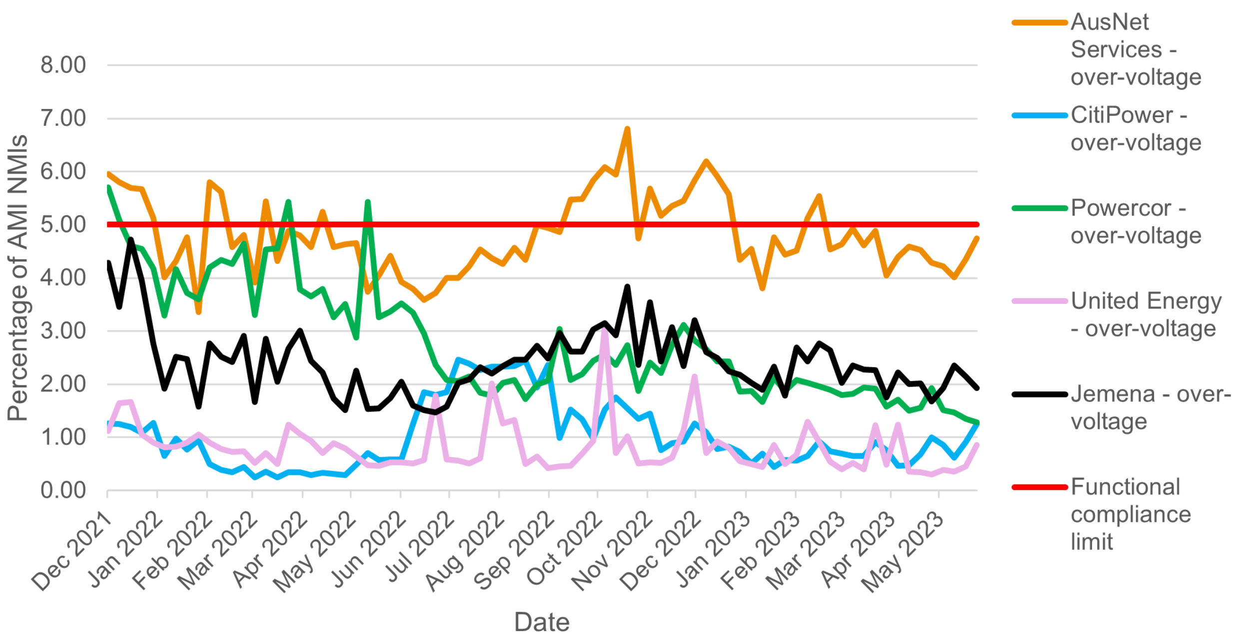
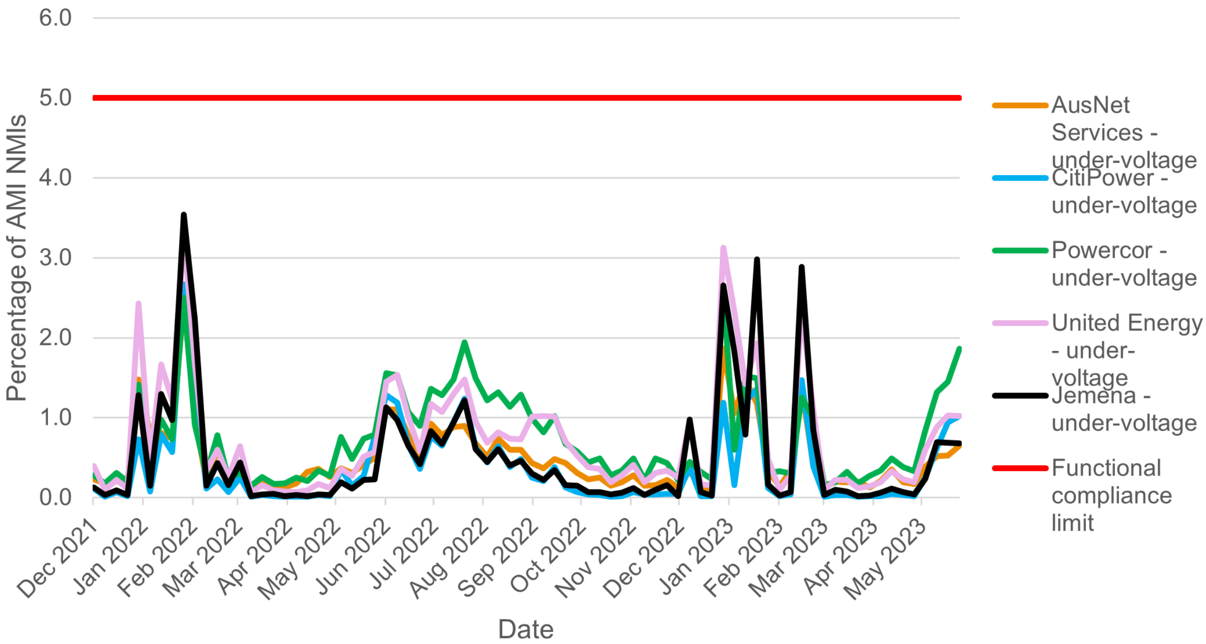


Figure 3: Percentage of NMIs below 216V for more than one per cent of the time (under-voltage)



Unaccounted for gas

Unaccounted for gas (UAFG) refers to the difference between the measured quantity of gas entering the gas distribution system from various supply points and the gas delivered to customers.

There are various causes for UAFG, including fugitive emissions, metering errors, heating value, data quality and theft.

In Victoria, UAFG is managed via a benchmark process. Our Gas Distribution System Code sets benchmarks for each Victorian gas distributor.

Retailers must purchase enough gas to cover customer consumption and the actual UAFG. Each year, gas distributors and retailers each reconcile the amount of gas purchased against UAFG benchmarks.

Table 5 and Figure 4 show the latest settled data for class B benchmarks. There is always a lag in the most recently available data to allow for distributors and retailers to settle accounts.

Table 5: Class B UAFG for Declared Transmission System networks, data and benchmarks[20]

	UAFG				
Distributor	**2018–22 benchmark**	**2018 settled**	**2019 actual**	**2020 actual**	**2021 actual**
AusNet Services	4.6 per cent	4.73 per cent	4.5 per cent	3.73 per cent (unsettled)	3.87 per cent (estimate)
Australian Gas Networks	4.0 per cent	4.19 per cent	4.36 per cent	3.82 per cent (unsettled)	3.6 per cent (unsettled)
Multinet Gas Networks	5.3 per cent	5.35 per cent	4.80 per cent	5.48 per cent (unsettled)	5.02 per cent (unsettled)

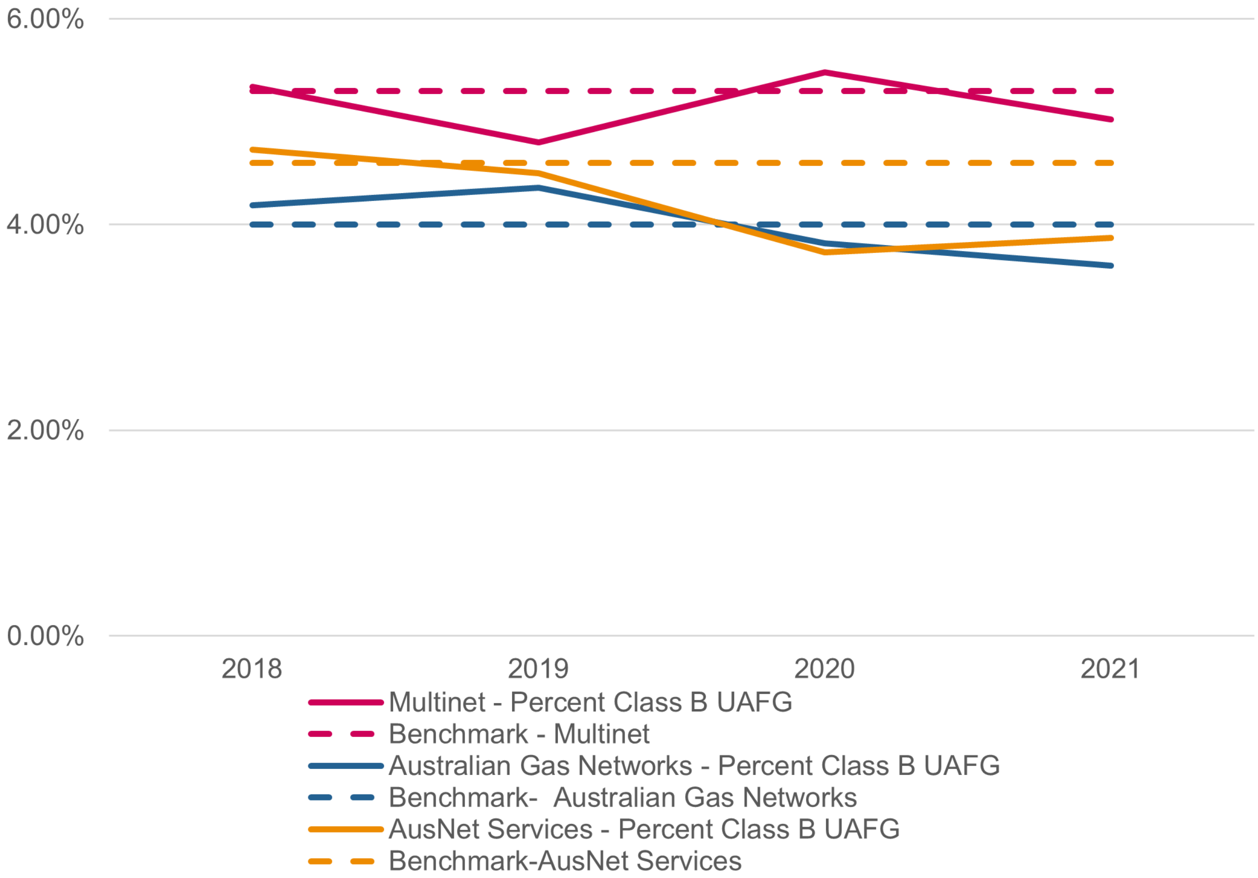
The purpose for setting UAFG benchmarks

The benchmarks provide a basis to help distributors and retailers process, account for and reconcile UAFG and to settle financial obligations to each other.

As retailers enter gas contracts with suppliers the retailers must purchase enough gas to account for the UAFG.

Therefore, retailers use the UAFG benchmark as a basis to gauge the total amount of gas to purchase from suppliers.

Figure 4: Class B Declared Transmission System network UAFG percentage for Multinet, Australian Gas Networks and AusNet Services



[20] Only unsettled data has been provided for Australian Gas Networks and Multinet Gas Networks for 2020 and 2021, as settled data was not available at the time of reporting.

Market entry and exit

Our role in licensing energy businesses

The commission issues licences to energy businesses to operate in the Victorian energy market. This includes licensing:

- electricity and gas retailers
- electricity generators
- electricity and gas distributors
- electricity transmission companies.

Distribution, transmission and generation licences

We granted four electricity generation licences in 2022–23. We did not grant any energy distribution or electricity transmission licences.

- Hazelwood BESS Project Co Pty Ltd was granted an electricity generation licence for the 150MW/150MWh battery energy storage system in Hazelwood.
- BESS Longwarry Pty Ltd was granted an electricity generation and sale licence for a 4.95MW battery energy storage system located at Longwarry in south-east Victoria.
- Wangaratta Solar Farm Pty Ltd was granted an electricity generation and sale licence for a solar farm with an output of 33MW in North Wangaratta.
- Mondo Power Pty Ltd was granted an electricity generation and sale licence for a 5MW battery energy storage system on Phillip Island.

Energy retail licences

We granted Ampol Energy (Retail) Pty Ltd electricity and gas retail licences to sell to small, medium and large customers in Victoria on 12 April 2023. We did not grant any other energy retail licences in 2022–23.

After a turbulent period of high prices in the wholesale electricity and gas markets in 2022, we increased the scrutiny on electricity and gas retail licence applications in Victoria.

We took this step to promote the long-term interests of consumers. Our changes to the commission's Guideline: Applications for electricity and gas industry licences and energy retail licence application forms aim to ensure new retailers entering the Victorian market are sufficiently resilient to withstand wholesale market volatility.

Licence variations and revocations

We revoked five licences by agreement with the licensee in 2022–23:

- Weston Energy Pty Ltd's gas retail licence
- Power Club Limited's electricity retail licence
- Macquarie Bank Limited's electricity retail licence.
- Elysian Energy Pty Ltd's electricity retail licence
- Powerdirect Pty Ltd's electricity retail licence.

We also varied nine licences by agreement with the licensee:

- AGL HP1 Pty Limited, AGL HP2 Pty Limited and AGL HP3 Pty Limited, together, known as the AGL Hydro Partnership's electricity generation and sale licence
- AusNet Gas Services Pty Ltd's gas distribution licence
- Tango Energy Pty Ltd's electricity and gas retail licences
- ReAmped Energy Pty Ltd's electricity and gas retail licences
- Mortlake South Wind Farm Ltd's electricity generation and sale licence
- Murra Warra Project Co Pty Ltd's electricity generation licence
- Murra Warra II Project Co Pty Ltd's electricity generation and sale licence.

Licence transfers

By request of the licensee, we approved the transfer of the electricity retail licence from Iberdrola Australia Holdings Pty Ltd to Iberdrola Australia Energy Markets Pty Ltd.

Retailer of Last Resort events

The commission administers the Retailer of Last Resort (RoLR) scheme in Victoria. The scheme protects Victorian energy consumers when their energy retailer goes out of business. Customers are transferred from the failed retailer to a 'Retailer of Last Resort' to make sure that their energy supply continues.

Power Club Limited

We initiated the RoLR process to automatically transfer approximately 1,500 customers from failed electricity retailer Power Club Limited (Power Club) to other retailers in Victoria in July 2022.

The Australian Energy Market Operator (AEMO) suspended Power Club from the National Electricity Market and suspended its registration as a market participant on 12 July 2022 for failing to comply with requirements under the National Electricity Rules.

We revoked Power Club's electricity retail licence in September 2022. The revocation was by agreement with the licensee and took effect on 16 September 2022.

Elysian Energy Pty Ltd

We initiated the Retailer of Last Resort (RoLR) process to automatically transfer approximately 4,900 Victorian customers from failed electricity retailer Elysian Energy Pty Ltd (Elysian Energy) to other retailers in September 2022.

AEMO suspended Elysian Energy from the National Electricity Market and suspended its registration as a market participant on 2 September 2022 for failing to comply with requirements under the National Electricity Rules.

We revoked Elysian Energy's electricity retail licence in October 2022. The revocation was by agreement with the licensee and took effect on 10 October 2022.

QEnergy Limited and Mojo Power East Pty Ltd

We initiated the RoLR process for QEnergy Limited (QEnergy) and Mojo Power East Pty Ltd (Mojo Power East) in June 2023. Mojo Power East traded as People Energy. QEnergy and Mojo Power East were part of the ION Holdings group. Approximately 4,000 QEnergy customers and 4,000 Mojo Power East customers were automatically transferred to other retailers in Victoria.

Receivers were appointed for the ION Holdings group of companies on 15 June 2023. AEMO suspended QEnergy and Mojo Power East from the National Electricity Market on 16 June 2023 and 21 June 2023, respectively, for failing to comply with requirements under the National Electricity Rules.

Regulatory sandboxing

Victoria's regulatory sandboxing framework for the energy market commenced on 1 June 2022. The framework:

- enables innovators to trial new products and services in a controlled setting for a time-limited period
- helps inform future changes to the energy rules on a more permanent basis.

We work closely with the Australia Energy Regulator (AER) to respond to Victorian enquiries received through the Innovation Enquiry Service.[21]

The Innovation Enquiry Service is part of the Energy Innovation Toolkit. The toolkit is a free service the AER offers in collaboration with the Australian Energy Market Commission, AEMO, the Australian Renewable Energy Agency, and the commission. The toolkit helps potential new market participants understand energy regulation, explore options to launch their energy business under current frameworks, and get clear guidance.

We have not received any trial waiver applications since the framework commenced. However, we have provided information and assistance to persons with enquiries about products and services that related to the regulatory sandbox framework.

Electricity licence exemptions

We administer the General Exemption Order 2022 (GEO). The General Exemption Order 2022 took effect on 1 January 2023 (replacing the General Exemption Order 2017).

The GEO exempts a range of persons from needing to have an electricity licence in Victoria. Many exemptions must be registered with us. These include exemptions for selling and supplying electricity in embedded networks.

We registered 586 electricity licence exemptions in 2022–23, an increase of 74 percent from the previous year.[22]

Table 6: Number of electricity licence exemptions registered

2018–19[23]	2019–20	2020–21	2021–22	2022–23
2026	351	354	337	586

21 See the Australian Government's website for more information about the Energy Innovation Toolkit

22 This figure, and the figures in the following table, include embedded network sites where the sale and supply of electricity occurs under two exemption categories but has only been counted as one exemption for the purpose of this report.

23 The General Exemption Order 2017 came into effect on 1 April 2018 and required relevant exempt persons to register with the commission. This is the reason why the number of registrations for 2018-19 is significantly higher than subsequent years.

Reports and reviews

Land Access Code of Practice

We are developing an enforceable Land Access Code of Practice that electricity transmission companies must follow when using their legal powers to access private land in Victoria. The code will give landowners protection and support effective engagement between communities and transmission companies accessing land.

We expect to release the final code of practice later this year.

Gas Distribution System Code of Practice

The Gas Distribution System Code of Practice sets out consumer protections and obligations gas distributors must follow in operating distribution systems in Victoria.

We are supporting the energy system to transition to net-zero emissions by updating our gas code to make it fit for purpose. Our review considered recent policy developments relating to natural gas use and the Victorian gas network.

We expect to release the final decision in 2024.

The Electricity System Code revocation

We published a draft decision for consultation, proposing to revoke the Electricity System Code – a regulatory instrument established in 2000.

We are proposing to revoke the Electricity System Code because we no longer consider it a relevant regulatory instrument. This is because transmission and distribution businesses are now primarily regulated through the national energy framework which are administered by the Australian Energy Market Operator and the Australian Energy Regulator. As part of the review, the commission proposes to update electricity transmission licences, simplify licence conditions, and remove inconsistencies.

We plan to release a final decision in early 2024.

Appendix 1:

- Customers experiencing payment difficulty
- Disconnections for non-payment

Appendix 1: More customers experiencing payment difficulty and disconnections for non-payment

Figure 1: Average monthly customers commencing tailored assistance

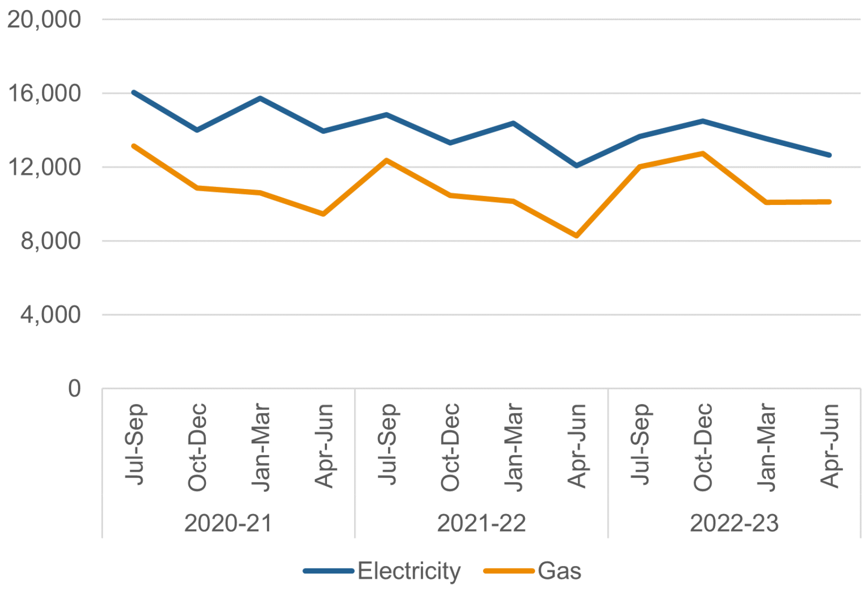


Figure 2: Residential gas market offer prices (estimates for Australian Gas Network distribution zone)

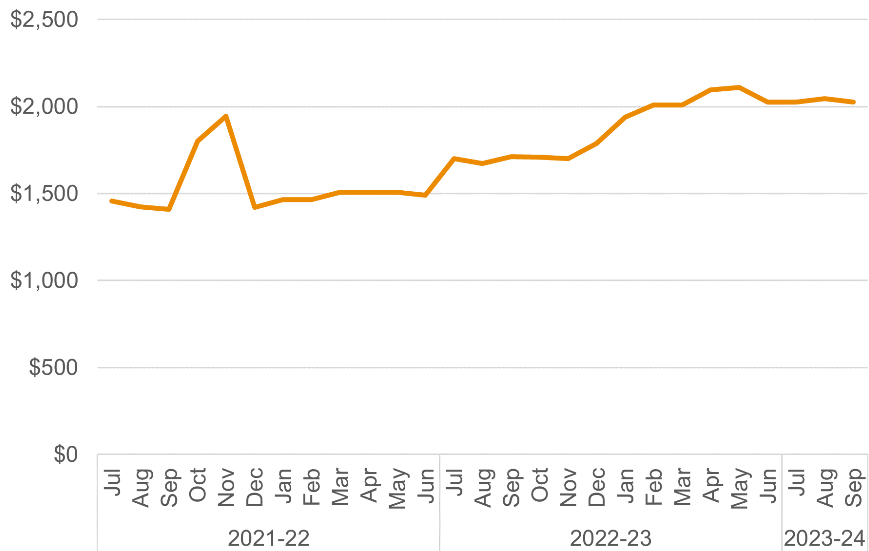


Figure 3: Average monthly number of electricity customers accessing tailored assistance, can v cannot pay ongoing use

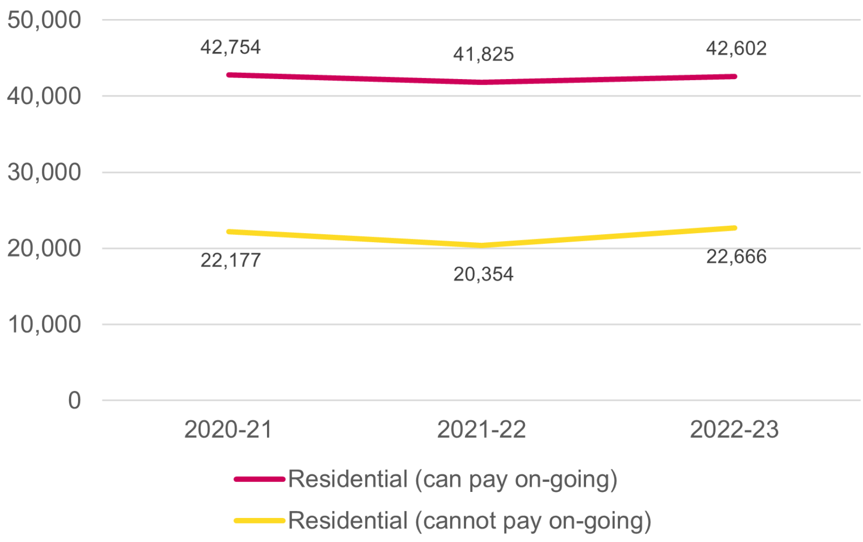


Figure 4: Average monthly number of gas customers accessing tailored assistance, can v cannot pay ongoing use

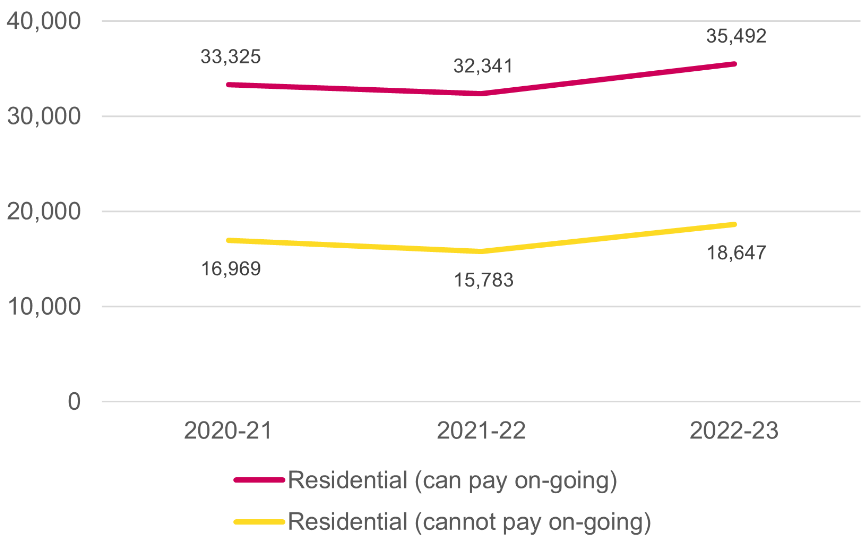


Figure 5: Electricity customer exits from tailored assistance (as proportion of all tailored assistance customers) – large retailers

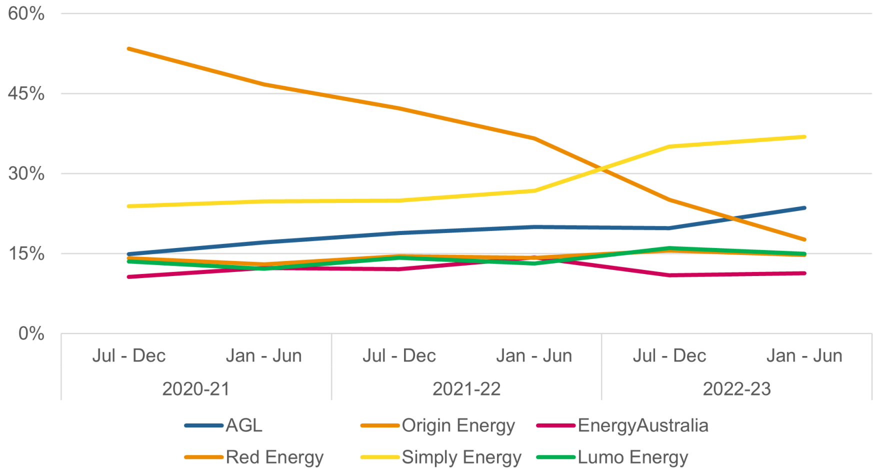


Figure 6: Gas customer exits from tailored assistance (as proportion of all tailored assistance customers) – large retailers

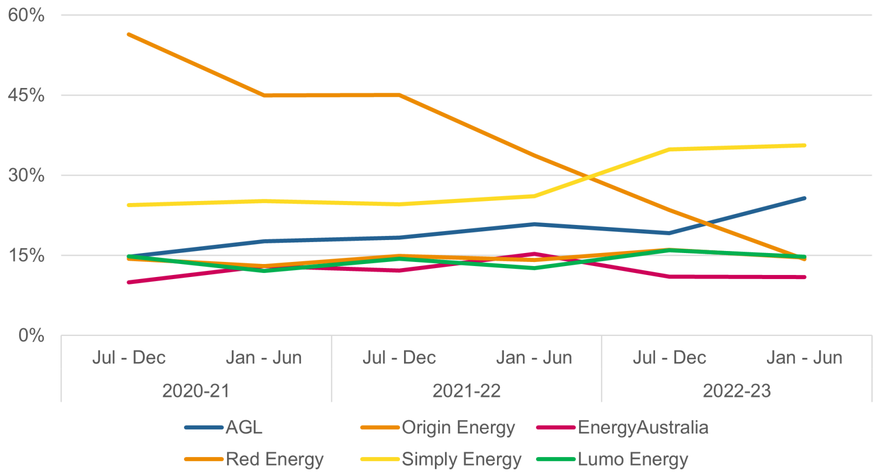


Figure 7: Proportion of electricity customers exiting tailored assistance with no arrears – large retailers

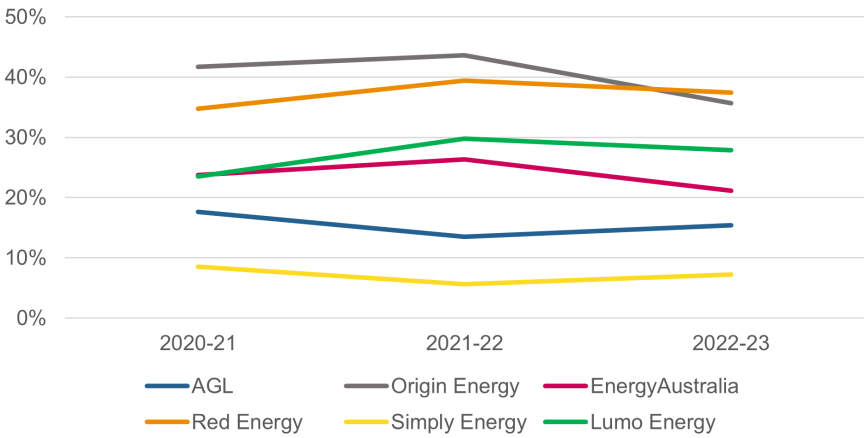


Figure 8: Proportion of gas customers exiting tailored assistance with no arrears – large retailers

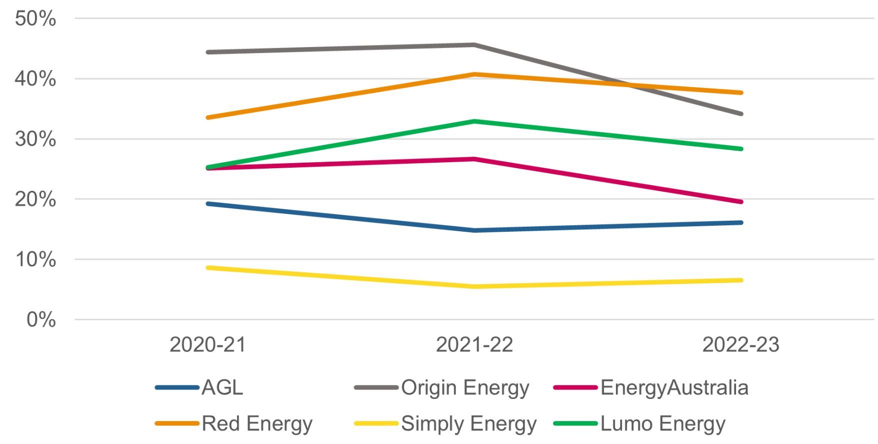


Figure 9: Number of tailored assistance customers with aged arrears greater than $5000

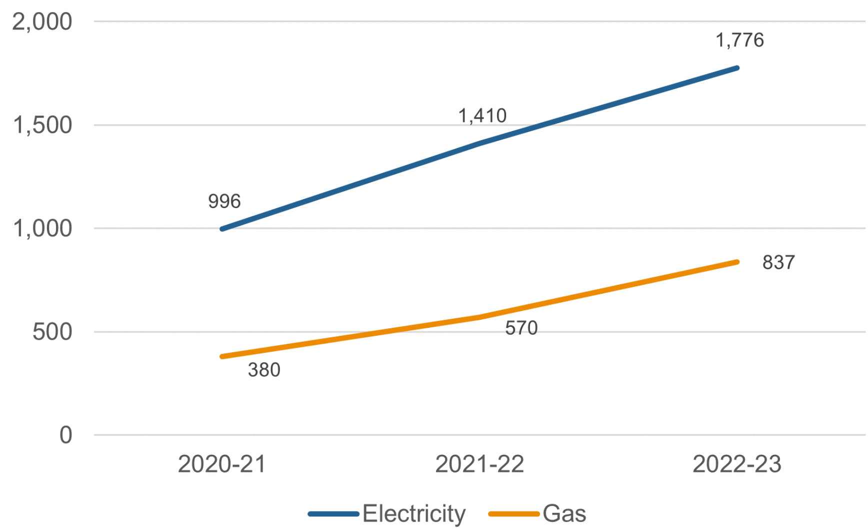


Figure 10: Average arrears of energy customers on tailored assistance who can pay their ongoing use

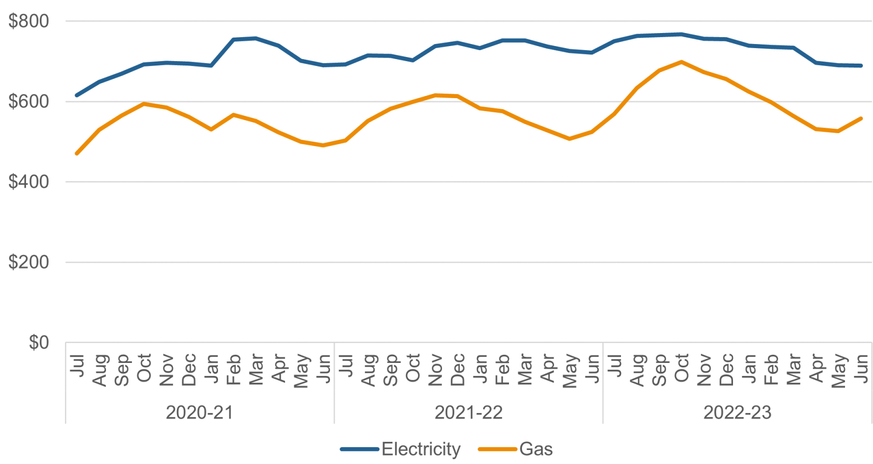


Figure 11: Average arrears of energy customers on tailored assistance who cannot pay their ongoing use

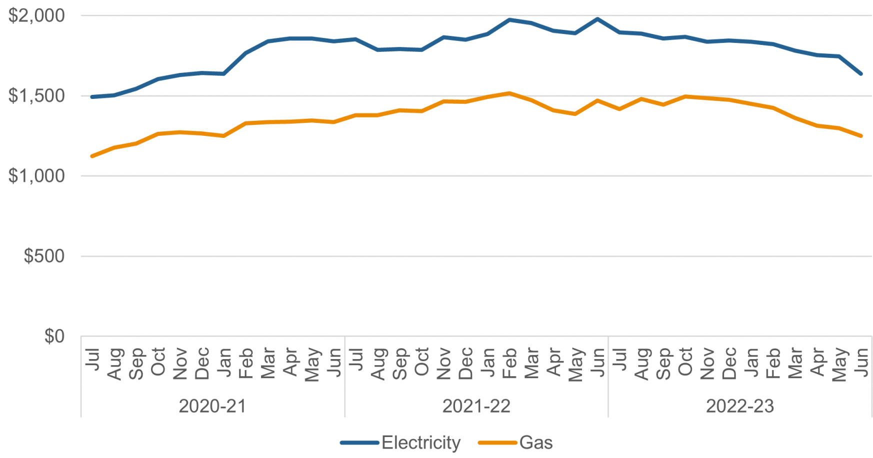


Figure 12: Total Utility Relief Grants Paid

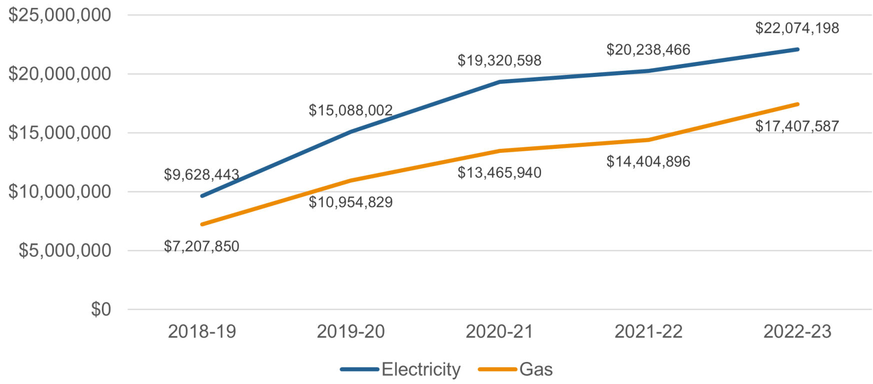


Figure 13: Steps to request a Utility Relief Grant

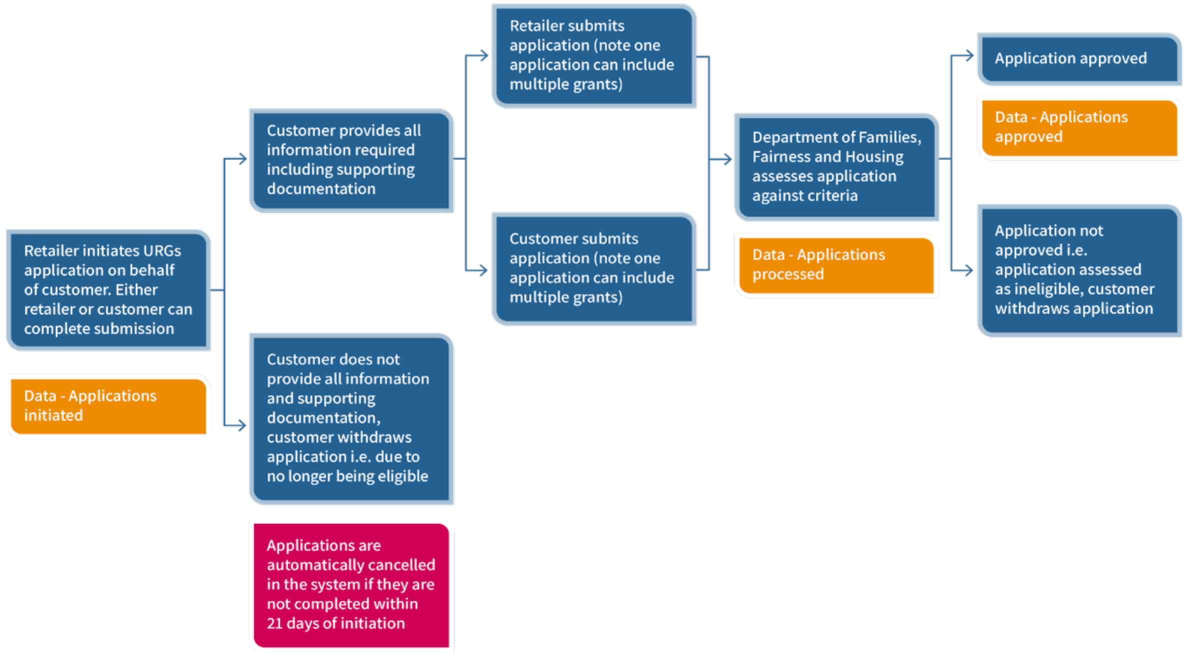


Figure 14: Monthly average number of disconnection warning notices sent and disconnection for non-payment for gas

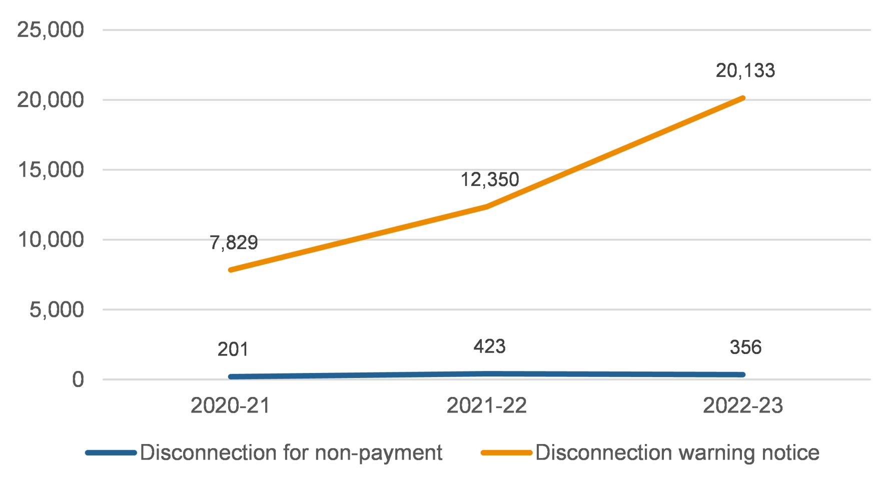


Figure 15: Duration of unplanned electricity interruptions, per customer

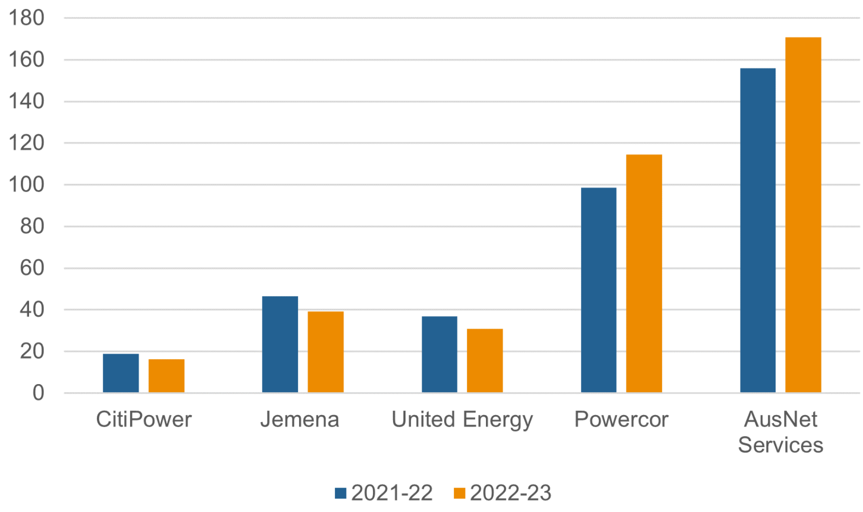
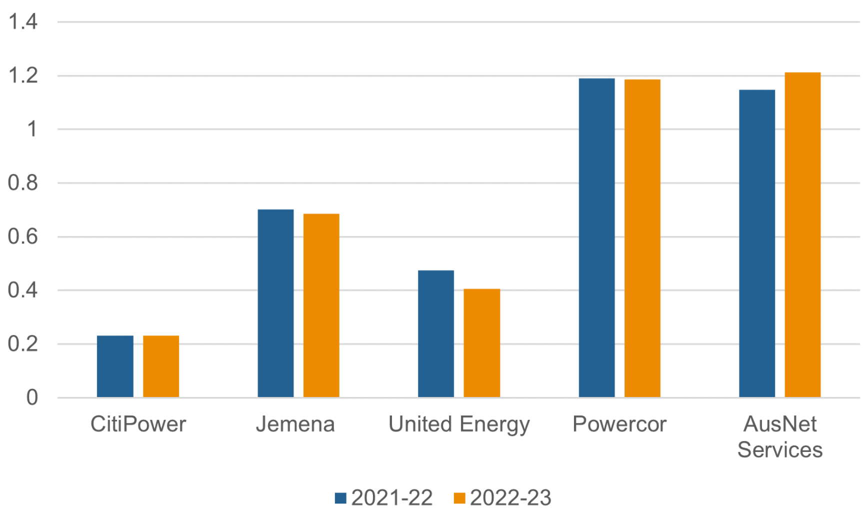


Figure 16: Number of unplanned electricity interruptions, per customer



Appendix 2:

- Energy in Victoria

Appendix 2: Distribution businesses' performance against the Greenfields Negotiated Electricity Connection Customer Service Standards

Table 1: Analysis of AusNet Services' performance against the reporting metrics of the standards for January 2022 to June 2023

Connection step	Performance measure	Quarterly performance					
		January - March 2022	April - June 2022	July - September 2022	October - December 2022	January - March 2023	April - June 2023
Designs reviewed approvals	90% in <15 days	88%	97%	95%	93%	95%	90%
As built plan reviewed	95% in <3 days	100%	100%	100%	100%	100%	100%
Pre-commission audit	95% in 10 days	98%	98%	99%	99%	97%	99%
Final network audit	95% in 10 days	93%	97%	95%	94%	85%	94%

Table 2: Analysis of Jemena's performance against the reporting metrics of the standards for July 2021 to March 2023

Connection step	Performance measure (average days)	Performance measure (average days)	Average performance July - December 2021	Average performance January - June 2022	Average performance July - December 2022	Average performance January - June 2023
Offer issued	40 days	65 days	50 days	34 days	52 days	58 days
Master plan reviewed	15 days	20 days	84 days	44 days	160 days	79 days
Design reviewed	15 days	20 days	34 days	45 days	31 days	25 days
Pre-commission audit	5 days	10 days	16 days	15 days	8 days	6 days
Consent to statement of compliance	5 days	10 days	3 days	3 days	3 days	3 days
Time taken to tie-in	30 days	40 days	36 days	35 days	19 days	29 days

Table 3: Analysis of Powercor's performance against the reporting metrics of the standards for January 2022 to March 2023

Connection step	Performance measure 2022	Quarterly performance					
		January - March 2022	April - June 2022	July - September 2022	October - December 2022	January - March 2023	April - June 2023
Master plan reviewed	80% in 10 days	45%	18%	27%	48%	46%	34%
Design reviewed	16 days	22 days	20 days	17 days	13 days	14 days	12 days
As built plans reviewed	70% in 5 days	85%	83%	87%	89%	94%	90%
Audit completed	70% in 6 days	83%	26%	30%	96%	100%	100%
Issued certificate of practical completion	90% in 5 days	84%	94%	95%	93%	97%	96%
Time to tie in	>95% by agreed date	98%	95%	99%	94%	98%	99%

Table 4: Analysis of United Energy's performance against the reporting metrics of the standards for January 2022 to March 2023

Connection step	Performance measure 2022	Quarterly performance					
		January - March 2022	April - June 2022	July - September 2022	October - December 2022	January - March 2023	April - June 2023
Offer issued	Within 20 days	100%	N/A	100%	0%	100%	N/A
Master plan reviewed	Within 10 days	100%	N/A	N/A	N/A	100%	N/A
Design reviewed	Within 20 days	100%	100%	100%	100%	100%	N/A
Authority to construct	Within 10 days	100%	100%	N/A	100%	100%	N/A
Authority to commission	Within 10 days	100%	100%	100%	100%	100%	N/A

Table 5: Glossary

Connection process step	Definition	Connection step (this can differ for each distribution business due to contestability)
Applying for a connection offer	Includes either issuing an offer to connect or the distribution business assigning a project co-ordinator to begin the connection process.	– Offer issued.
Reviewing designs	The process that allows construction to begin when approved by the distribution business.	– Masterplan reviewed. – Design reviewed.
Construction	Construction drawing approvals.	– As built plan reviewed. – Authority to construct.
Auditing	The auditing of electrical assets and/or civil works.	– Audit complete. – Pre-commission audit.
Handover and commissioning	The final checks by the distribution business or consent to issue of statement of compliance. These processes are generally followed by electrical 'tie-in' which allows the site to be energised.	– Issue certificate of practical completion. – Time taken to tie in. – Final network audit. – Consent to statement of compliance. – Authority to commission.

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