

MARCH 2020



VCOSS submission to the ESC's proposed framework for setting maximum prices in embedded networks

Apply the Victorian Default Offer to embedded network contracts

VCOSS welcomes the opportunity to provide initial feedback on the Essential Services Commission's (ESC's) proposed framework for setting maximum prices in embedded networks.

The Victorian Default Offer (VDO) is a fair reference price for electricity in the open retail market. VCOSS strongly supports using the VDO to set a hard price cap for households in embedded networks as they often do not have a genuine ability to choose an alternate energy retailer.

Given the final scope of inclusions in the VDO cost-stack methodology, there is sufficient allowance within this price range for the reasonable costs of an embedded network operator.

Strengthen protections for vulnerable households in embedded networks

The majority of Victorian households are able to access the open retail market and potentially choose the retailer and plan that best suit their needs.

For over 100,000 people living in caravan parks, retirement villages and apartment buildings, however, electricity is supplied to their home as part of an "embedded network".

In these circumstances, the site's owner or manager (or even a third party billing agent or network operator) on-sells grid-sourced electricity to the people who live at the site.

For some households with embedded networks it can be close to impossible, or very expensive, to exit the network and choose a retailer in the mainstream market.

These costs and logistical barriers to enabling choice of retailer are particularly concerning given (as recognised by DELWP in its 2017 review of the Electricity License Exemptions Framework):

... customers of exempt sellers can be some of the most vulnerable in society.

Subsequent changes to the Victorian Electricity License Exemptions Framework and the General Exemption Order have sought to give households in embedded networks a comparable level of protection to other consumers. This includes basic requirements such as getting a householder's explicit and informed consent before creating an agreement for the sale of electricity.

In addition, these revised exemption and dispute resolution registration requirements have given both the ESC and the Energy and Water Ombudsman (Victoria) (EWOV) greater visibility of the number and scale of these networks.

Applying the VDO as a hard price cap is a necessary next step in refining regulatory protections for those households that do not have a genuine ability to choose an alternate energy retailer.

Establish a robust compliance regime

It is critical however that there are robust monitoring and enforcement arrangements to ensure compliance.

VCOSS is concerned that current arrangements are largely reactive. Given the potential for households living in embedded networks to be particularly disengaged and/or disempowered regarding their rights and protections in the energy retail system, it is important that ESC, EWOV and DELWP now make progress on establishing a robust compliance and enforcement regime.

Such a regime was previously foreshadowed in the Department's 2017 Final Position Paper on the Review of the Victorian Electricity Licence Exemptions Framework.

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