

23rd May 2020

Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne Victoria 3000

Submission: Draft Decision - Maximum prices for embedded networks and other exempt sellers

Dear Essential Services Commission,

I am writing to you as an apartment resident who has had a recent pricing dispute with an embedded energy company. In this submission, I will highlight a major flaw within the current system where the existing price cap has been used to justify uncompetitive pricing and disqualified consumers from raising a pricing dispute with the ombudsman and Consumer Affairs. I encourage the ESC to define the VDO in a way that will prevent this from continuing and ensure consumers are able to dispute unfair and uncompetitive pricing through the ombudsman.

In August 2018 I raised a submission to the commission highlighting that my embedded provider was charging usage rates over 40% more than AGL, I also provided evidence of the provider being uncooperative at negotiating a fairer price. I felt it was unconscionable for an essential service provider to price gouge on this magnitude and thought this would be in clear breach of the law.

To my amazement, both the ombudsman and Consumer Affairs Victoria were unable to even investigate the matter as the power company hadn't exceeded the maximum sell price (the standing offer). A senior case officer at Consumer Affairs also noted that having a maximum sell price legitimised the exorbitant prices being charged by the embedded company and would hinder my ability to dispute the contract as unfair and unconscionable under consumer law.

I ask the commission to consider this issue in the framework of the new VDO. Would it be an acceptable outcome if on September 1st Energy Australia or Origin decided to lock all of their embedded customers on the maximum VDO, while simultaneously offering all their retail grid customers a rate 10-20% lower? Would it be acceptable if these consumers were unable to dispute the pricing discrepancy through the ombudsman and consumer affairs (as the VDO hadn't been exceeded)?

The problem in both my 2018 dispute and the scenario mentioned is very simple to fix. The commission simply needs to add a provision to the VDO stating that 'In addition to adhering to the VDO price cap, exempt providers must also consider the pricing of the wider energy market when setting their prices'.

In light of the fact that embedded providers have a monopoly over their customers and the commission has found evidence of these companies 'not sharing in the cost savings', resulting in customers 'often paying more than they would in a competitive market', I believe this extra protection is warranted and essential to protecting the best interests of Victorian consumers.

Regards,

Hugh Mathews