

Victorian Default Offer 2021

Public forum on our consultation paper – Tuesday 14 July 2020 — Question and Answer session

Question received from Lawrence Irlam, EnergyAustralia

Re: Large-scale Renewable Energy Target (LRET), has the ESC validated its market approach against actual retailer practices, including how they reflect Power Purchase Agreement (PPA) costs in their prices?

Has the ESC considered a weighted average approach for determining Large-scale generation certificates (LGC) costs, based on public PPA and market traded data, as we submitted last year?

Answer:

We considered this approach as part of our review for the 2020 VDO.

In estimating LRET costs for the purpose of the VDO we use market data to estimate LRET costs. The historical costs of an individual retailer, which may include the cost of Power Purchase Agreements, may not necessarily reflect the approach (and current costs) of the entire industry. Further detail can be found in our [final decision on the 2020 VDO](#) on pages 36 and 37.

In our consultation paper we proposed to maintain the approach we took in setting the 2020 VDO. In order to change our approach we would require new and convincing evidence suggesting a different approach would better achieve our legislative objectives.

Question received from M

Given that 5MS would now be implemented by October 2021 (recent AEMC regulation), what is the expected impact on the VDO prices, or how would you consider it?

Answer:

We are currently considering how to best account for the AEMC's decision to introduce five-minute settlements from October 2021. We welcome submissions from stakeholders on how to account for this change and any information on how it will affect retailers' total costs.

We are also interested in stakeholders' views on whether the new date for five-minute settlements might make different VDO regulatory period lengths more or less desirable.

Question received from Alan Love, Powershop

Can the ESCV please ensure that a recording of this meeting is provided as soon as possible?

Answer:

The recording of the forum, along with the slides and written answers to the questions asked, are now available on the commission's website.

Question received from Jake Lilley, Consumer Action Law Centre

What does the ESC see as the possible benefits and risks to households of having a 6-month or 18-month period?

Answer:

A benefit of a 6-month regulatory period is that it would allow for the more accurate estimation of network tariffs in VDO prices. It would also allow the commission to have better information on the cost impact of five-minute settlements on retailer's costs.

The potential benefits of an 18-month regulatory for households are not immediately obvious. A longer regulatory will increase the risk that VDO prices diverge from the efficient costs of electricity supply.

Question received from Joe

Need to consider that more frequent VDO changes means more cost on retailers with Comms, call from customers etc.

Answer:

Among other things, we will consider the impact on retailers of different regulatory period lengths. We agree that more frequent regulatory reviews will require retailers to invest more staff time into regulatory work and communicating and implementing price changes.

Question received from GloBird

With the increased rooftop solar take up, will ESC back test the actual rooftop solar PV data to verify the forecasted solar minimum feed in tariff cost in VDO 2020 to retailers are realistic and accurate?

Answer:

We will assess the performance of our forecast as part of this review. We may consider changing our methodology if the difference between forecasts and actuals is material. However, we also note it is difficult to assess the effectiveness of a forecasting method with only one data point.

Further, to change our approach we would need to have a demonstrably superior forecasting method available.

Question from P Whish-Wilson, AGL

Has the ESC appointed Frontier to complete its wholesale cost modelling? If not, when will this be decided?

Answer:

Yes, we have appointed Frontier to complete our wholesale cost modelling for the 2021 VDO review. As part of our draft decision we will publish the report they provide – stakeholders can also make submissions on that report as part of our draft decision consultation process.

Question from GloBird

To help industry to check & verify the VDO wholesale cost, can ESC publish all AEMO small customer's consumption data for the last Financial year and potentially extend the submission due date so industry can review them?

Answer:

We would need to speak to the AEMO about sharing their data. We released MRIM data publicly with our decisions last year. If we obtain permission from the AEMO it is likely we would do the same this year.

If there are stakeholders that wish to make a submission after the consultation closes please contact us via vdo@esc.vic.gov.au .

Question from Andrew

Following on from Joe's question, can the Commission comment on aligning its VDO application date to align with the change to retailers non VDO pricing – which is now 1 month after the network price change.

The VDO impacts on the Reference Price which is to be used. we must try to align these.

Answer:

We have statutory obligations as to when the VDO will apply from – 1 January 2021. We welcome feedback from retailers on the impact of aligning key dates.