

# Victorian Default Offer Price Determination 2020

1 January 2020 – 31 December 2020

18 November 2019

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# Contents

1. Purpose and reasons	3
2. Application period	4
3. Fixed flat tariffs	5
4. VDO compliant maximum annual bill amount – specified non-flat standing offer tariff types	6
5. VDO compliant maximum annual bill amount – other non-flat standing offer tariff types	8
6. Variation of a price determination	10
<b>SCHEDULE 1</b>	<b>13</b>
<b>SCHEDULE 2</b>	<b>14</b>
<b>SCHEDULE 3</b>	<b>15</b>
<b>SCHEDULE 4</b>	<b>17</b>
<b>SCHEDULE 5</b>	<b>18</b>

# 1. Purpose and reasons

- 1.1. This price determination is made by the Essential Services Commission (Commission) under section 33 of the *Essential Services Commission Act 2001* (ESC Act) for the purpose of giving effect to the requirements of the Order in Council (Order) made under section 13 of the *Electricity Industry Act 2000* (the Act) and published in the Government Gazette No. S 208 on 30 May 2019, and specifically to the requirements of clause 10 of the Order.
- 1.2. The reasons for the making of this price determination are as set out in the decision document published by the Commission on its website and cited as 'Essential Services Commission 2019, Victorian Default Offer to apply from 1 January 2020: Final decision, 18 November (final decision).
- 1.3. In summary, this price determination regulates for each distribution zone in Victoria:
  - (a) the flat tariffs that a retailer may charge prescribed customers under a standing offer during the first regulatory period 1 January 2020 to 31 December 2020; and
  - (b) the VDO compliant maximum annual bill amount (as defined in clause 10(2)(a)ii of the Order) that a prescribed customer is to pay under a standing offer for that regulatory period.
- 1.4. It does so to give effect to the final decision and the objective of the Order that there be a simple, trusted and reasonably priced electricity option that safeguards consumers who are unable or unwilling to engage in the electricity retail market.
- 1.5. Unless expressly stated otherwise, terms defined in the Order have the same meanings in this price determination.
- 1.6. This price determination is to be cited as the 'Victorian Default Offer Price Determination 2020'.



## 2. Application period

- 2.1 This price determination takes effect on and from 1 January 2020 and, subject to amendment or revocation by the Commission, has effect until 31 December 2020.
- 2.2 If the Commission has not made a price determination for the next regulatory period on or before 31 December 2020, the fixed flat tariffs and VDO compliant maximum annual bill amounts that apply to prescribed customers as set out in this price determination will be updated for inflation as specified in Equation 1 and will then apply from 1 January 2021 and until the date on which a new price determination for the next regulatory period comes into effect.

### EQUATION 1

$$VDO_{k,2021}^i = \left[ VDO_{k,2020}^i \left( \frac{CPI_{Sept\ 2020}}{CPI_{Sept\ 2021}} \right) \right]$$

where:

VDO	Means a relevant price determination element, which can be a fixed flat tariff or VDO compliant maximum annual bill amount determined by the Commission under clauses 3, 4 and 5 and specified in Schedules 1, 2, 3 and 5 of this determination.
k	Denotes the specific price determination element (either a fixed flat tariff or a VDO compliant maximum annual bill amount) being adjusted for inflation.
i	Denotes the relevant distribution zones of the relevant distribution company (AusNet Services, Citipower, Jemena, Powercor or United Energy) that applies to the specific price determination element.
$CPI_{Sept\ 2020}$	Is the All Groups, Australia (Original) index for the September 2020 quarter as published by the Australian Bureau of Statistics in Cat. No. 6401.0, <i>Consumer Price Index, Australia</i> .
$CPI_{Sept\ 2019}$	Is the All Groups, Australia (Original) index for the September 2019 quarter as published by the Australian Bureau of Statistics in Cat. No. 6401.0, <i>Consumer Price Index, Australia</i> .

## 3. Fixed flat tariffs

- 3.1 Subject to this price determination, the tariffs a retailer must charge a prescribed customer under a flat tariff or flat tariff plus controlled load standing offer, according to the distribution zone of the distribution company responsible for the prescribed customer's supply point, are fixed at the amounts specified in Schedule 1 and Schedule 2.

## 4. VDO compliant maximum annual bill amount – specified non-flat standing offer tariff types

- 4.1 Subject to this price determination, a retailer must not charge a prescribed customer a tariff or tariffs under a standing offer that contains:
- (a) a tariff that is not a flat tariff; or
  - (b) any combination of a flat tariff and a tariff that is not a flat tariff,
- and is of a tariff type offered in a distribution zone of a distribution company as specified in Schedule 3 (specified non-flat standing offer tariff types), if the tariff or tariffs would produce an estimated annual electricity bill amount that would be higher than the VDO compliant maximum annual bill amount determined by the Commission for that tariff type in Schedule 3.
- 4.2 The calculation to be used by a retailer to determine whether a standing offer comprising a tariff type specified in Schedule 3 they offer, exceeds the VDO compliant maximum annual bill amount determined for that tariff type, is detailed in Equation 2.
- 4.3 For purposes of this calculation, the commission determines that:
- (a) the annual reference consumption amount (ARCA) is, for a domestic customer, 4,000kWh per annum, and for a small business customer, 20,000kWh per annum; and
  - (b) the representative profile of customer usage and related usage allocations for each specified non-flat standing offer tariff type is as specified in Schedule 4.
- 4.4 For the purpose of clause 4.2, the amount of electricity consumed is to be assumed to be the same on each day of the year.

## EQUATION 2

$$EAB_{c,k}^i = (SC_k^i * 365) + ARCA_c * (UC_{p,c,k}^i * UA_{p,k} + UC_{s,c,k}^i * UA_{s,k} + UC_{op,c,k}^i * UA_{op,k})$$

where:

EAB	Is the estimated annual bill for a specified non-flat standing offer tariff type listed in Schedule 3.
i	Is the relevant retailer offering the specified non-flat standing offer tariff type.
k	Is the relevant specified non-flat standing offer tariff type.
c	Designates whether the customer type is domestic or small business.
p, s, op	Designates whether the usage allocation (UA) is peak, off-peak or shoulder.
SC	Is the supply charge (in dollars per day) that the relevant retailer has specified under section 35 of the Act for the relevant specified non-flat standing offer tariff type.
ARCA	Is the applicable annual reference consumption amount determined by the commission in clause 4.3(a), being: <ul style="list-style-type: none"> <li>• for a domestic customer – 4,000kWh per annum;</li> <li>• for a small business customer – 20,000kWh per annum.</li> </ul>
UC	Is the usage charge (in dollars per kilowatt hour) that the relevant retailer has specified under section 35 of the Act for the relevant specified non-flat standing offer tariff type. This will differ based on whether it is either a peak, off-peak or shoulder charge, and whether it applies to domestic or small business customers.
UA	Is the relevant usage allocation for a specified non-flat standing offer tariff type specified in Schedule 4. Each usage allocation will differ based on whether electricity is used in peak, off-peak or shoulder periods of usage.



## 5. VDO compliant maximum annual bill amount – other non-flat standing offer tariff types

5.1 Subject to this price determination, a retailer must not charge a prescribed customer a tariff or tariffs under a standing offer that contains:

- (a) a tariff that is not a flat tariff; or
- (b) any combination of a flat tariff and a tariff that is not a flat tariff,

and is not of a tariff type specified in Schedule 3, if that tariff or tariffs that would produce an estimated annual electricity bill amount that would be higher than the VDO compliant maximum annual bill amount for the relevant distribution zone of the relevant distribution company and customer type determined by the Commission in Schedule 5.

5.2 For all non-flat standing offer tariff types a retailer offers that are not included in Schedule 3, the retailer must publish in the Government Gazette, a representative profile of customer usage or relevant usage allocations that together make up a representative profile of customer usage, at the applicable annual reference consumption amount (ARCA) determined by the Commission in clause 5.5, for each non-flat standing offer tariff type a retailer offers that is not included in Schedule 3.

5.3 Such representative profile of customer usage or relevant usage allocations must be included in the retailer's notice of standing offers given under section 35 of the Act immediately below the tariff information set out for that particular non-flat standing offer tariff type. The representative profile of customer usage or relevant usage allocations must be reasonably representative of the profile of usage by customers on that tariff type over a 365-day period.

5.4 Unless approved by the Commission, a retailer must not vary its published representative profile of customer usage or relevant usage allocations for a non-flat standing offer tariff type not specified in Schedule 3 for as long as this price determination applies.

5.5 The annual reference consumption amount (ARCA) for purposes of this clause 5 is:

- (a) for a domestic customer – 4,000kWh per annum;
- (b) for a small business customer – 20,000kWh per annum.

5.6 A retailer's estimated annual electricity bill for a non-flat standing offer tariff type not specified in Schedule 3 must not exceed the applicable VDO compliant maximum annual bill amount specified in Schedule 5 and must be calculated by selecting and apportioning the applicable ARCA according to the retailer's relevant published

representative profile of customer usage or relevant usage allocations, and applying the retailer's published tariffs for that tariff type to the ARCA (as apportioned), for an assumed supply period of 365 days, to produce an estimated annual electricity bill for that non-flat standing offer tariff type.

## 6. Variation of a price determination

- 6.1 The Commission may amend or revoke this price determination (a price determination variation) by a further price determination which gives effect to the amendment or revocation.
- 6.2 The circumstances under which the Commission in its discretion may consider and decide on a proposed variation, and relevant matters, are as follows:

Circumstance	Matters to which the Commission may have regard when considering whether a proposed price determination variation is warranted
<p>An event occurs or a circumstance arises outside the control of retailers within the regulatory period, that was unforeseen or sufficiently uncertain as to not have been taken into account at the making of this price determination, and the impact of that event or circumstance on the efficient costs of the sale of electricity by retailers calculated by the Commission for purposes of determining the fixed flat tariffs specified in Schedule 1 and 2, is generally assessed by the Commission, in its discretion, to be material.</p>	<p>The Commission may have regard to:</p> <ul style="list-style-type: none"> <li>• the timing, duration and magnitude of the event or circumstance;</li> <li>• the extent of the impact (positive or negative) on efficient costs calculated by the Commission for purposes of determining the fixed flat tariffs specified in Schedule 1 and 2;</li> <li>• the extent of the impact (positive or negative) on the fixed flat tariffs specified in Schedule 1 and 2;</li> <li>• the general extent of the impact on the annual bills of prescribed customers on standing offers;</li> <li>• the capacity of retailers to manage the impact until the commencement of the next regulatory period;</li> <li>• the costs and benefits to retailers and prescribed customers on standing offers of a proposed price determination variation;</li> <li>• the objectives and requirements of the Order; and</li> <li>• any other matter that the Commission considers relevant and appropriate.</li> </ul>



	The Commission will assess the materiality of the event or circumstance on a sector wide basis and is not obliged to have regard to any matter or impact which is specific to one or a small group of retailers only.
The Commission discerns that there was a clerical error, miscalculation, misdescription or other deficiency in this determination, or in the preparation of it (including false or misleading information having been supplied to the Commission), and this is generally assessed by the Commission, in its sole discretion to be material.	As per above.
The Commission discerns that a price determination variation is necessary or desirable to avoid an unintended consequence of this price determination	As per above.

6.3 If proposing to amend or revoke this price determination, the Commission will issue a draft decision and publish a notice on its Internet site which comprises:

- (a) a copy of the draft decision;
- (b) the reasons for the draft decision; and
- (c) an invitation to interested and affected parties to make submissions to the Commission in relation to the draft decision before a date specified in the notice.

6.4 The Commission will consult retailers and other relevant stakeholders on the draft decision, as the Commission determines reasonable and appropriate having regard to its Charter of Consultation and Regulatory Practice (as current at the time).

6.5 The Commission may amend or revoke this price determination without following the process or consulting outlined above if the Commission considers:

- (a) the amendment or revocation of this price determination is not sufficiently material to warrant consultation; or



(b) the need to effect the amendment or revocation is sufficiently urgent to make consultation impracticable.

6.6 If the Commission decides not to follow the process and undertake the consultation outlined above, it will provide reasons for this decision and will make this available to interested and affected parties.

## SCHEDULE 1

Victorian default offer fixed flat tariffs for general usage and general usage + controlled load usage by distribution zones of relevant distribution company for the period from 1 January 2020 to 31 December 2020 – domestic customers

Charges inclusive of GST

Distribution zone	Supply charge (\$ per day)	Usage charge structure	Usage charge (not controlled load) (\$ per kWh)	Usage charge: controlled load (\$ per kWh)
AusNet Services	\$1.1408	<b>Block 1</b> (up to 1020kWh used in a quarterly period)	\$0.3072	\$0.2230
		<b>Block 2</b> (balance of usage in a quarterly period) <sup>1</sup>	\$0.3272	
CitiPower	\$1.1309	Anytime	\$0.2517	\$0.1954
Jemena	\$1.0431	Anytime	\$0.2787	\$0.2086
Powercor	\$1.2619	Anytime	\$0.2640	\$0.2008
United Energy	\$0.9236	Anytime	\$0.2927	\$0.2080

<sup>1</sup> Blocks refer to electricity used in a quarterly period or pro-rated for any other period.

## SCHEDULE 2

Victorian default offer fixed flat tariffs for general usage by distribution zones of relevant distribution company for period from 1 January 2020 to 31 December 2020 – small business customers

Charges are inclusive of GST

Distribution zone	Supply charge (\$ per day)	Usage charge structure	Usage charge (\$ per kWh)
AusNet Services	\$1.1408	<b>Block 1</b> (up to 1020kWh used in a quarterly period) <b>Block 2</b> (balance of usage in a quarterly period) <sup>2</sup>	\$0.3407 \$0.3795
CitiPower	\$1.3386	Anytime	\$0.2667
Jemena	\$1.1816	Anytime	\$0.2904
Powercor	\$1.3898	Anytime	\$0.2619
United Energy	\$0.9863	Anytime	\$0.3004

<sup>2</sup> Blocks refer to electricity used in a quarterly period or pro-rated for any other period.



## SCHEDULE 3

### Specified non-flat standing offer tariff types & VDO compliant maximum annual bill amounts by distribution zones of relevant distribution company

Distribution zone	Specified non-flat tariff standing offer tariff types	VDO compliant maximum annual bill amount – domestic customers (4,000kWh usage; annual bill calculated using VDO fixed flat tariffs)	VDO compliant maximum annual bill amount – small business customers (20,000kWh usage; annual bill calculated using VDO fixed flat tariffs)
AusNet Services	Tariff types 1 & 2	\$1,646	\$7,849
Ausnet Services	Tariff type 3 (small business customers only)	Not applicable	\$7,849
CitiPower	Tariff type 1 & 2	\$1,420	\$5,823
Citi Power	Tariff type 3 (small business customers only)	Not applicable	\$5,823
Jemena	Tariff type 1 & 2	\$1,496	\$6,240
Jemena	Tariff type 3 (small business customers only)	Not applicable	\$6,240
Powercor	Tariff type 1 & 2	\$1,517	\$5,746
Powercor	Tariff type 3 (small business customers only)	Not applicable	\$5,746
United Energy	Tariff type 1 & 2	\$1,508	\$6,368
United Energy	Tariff type 3 (small business customers only)	Not applicable	\$6,368
United Energy	Tariff type 4	\$1,508	\$6,368
United Energy	Tariff type 5	\$1,508	\$6,368



### **Notes to Schedule 3:**

#### **1. Description of non-flat standing offer tariff types referred to in Schedule 3**

- Tariff type 1 - flexible price (3 part time of use)
- Tariff type 2 - 5-day time of use
- Tariff type 3 - 7-day time of use (small business customers only)
- Tariff type 4 - 5-day time of day 9pm off peak (United Energy distribution zone only)
- Tariff type 5 - 5-day time of day (United Energy distribution zone only)

#### **2. Calculation of VDO compliant maximum annual bill amount**

The VDO compliant maximum annual bill amount for a non-flat standing offer tariff type specified in this Schedule 3 has been calculated by taking the applicable annual reference consumption amount (ARCA) specified for prescribed customers on standing offers in note 3 below, being broadly representative of the levels of consumption of electricity by these types of customers in a 365 day period, and applying the relevant regulated VDO fixed flat tariffs for the relevant customer type in the relevant distribution zone in which that specified tariff type applies, to the applicable ARCA, assuming a supply period of 365 days, and that the amount of electricity consumed is the same on each day of the year, to calculate a VDO compliant maximum annual bill amount for that tariff type.

#### **3. Annual reference consumption amount (ARCA)**

The annual reference consumption amount (ARCA) used to calculate the VDO compliant maximum annual bill amounts in this Schedule 3 is:

- for a domestic customer – 4,000kWh per annum;
- for a small business customer – 20,000kWh per annum.

## SCHEDULE 4

### Representative profile of customer usage and related usage allocations for specified non-flat standing offer tariff types listed in Schedule 3

Specified non-flat standing offer tariff type listed in Schedule 3	Representative profile of customer usage		
	Usage allocation - peak	Usage allocation - shoulder	Usage allocation - off-peak
Tariff type 1 - flexible price (3 part time of use)	0.25	0.45	0.30
Tariff type 2 - 5-day time of use	0.52	0.00	0.48
Tariff type 3 - 7-day time of use (small business customers only)	0.74	0.00	0.26
Tariff type 4 - 5-day time of day 9pm off peak (United Energy distribution zone only)	0.25	0.20	0.55
Tariff type 5 - 5-day time of day (United Energy distribution zone only)	0.32	0.20	0.48

#### Note to Schedule 4:

##### **1. Representative profile of customer usage and related usage allocations**

The representative profile of customer usage and related usage allocations specified in this Schedule 4 represents a profile of use of electricity by prescribed customers (both domestic and small business) on each non-flat standing offer tariff type listed this Schedule 4 over a 365 day period under which electricity usage has been allocated between usage periods (peak, shoulder, off-peak) in which retailer tariffs for electricity usage will differ.



## SCHEDULE 5

### Applicable to non-flat standing offers of tariff types not specified in Schedule 3

VDO compliant maximum annual bill amount by distribution zones of relevant distribution company

Distribution zone	Tariff types	VDO compliant maximum annual bill amount – domestic customers (4,000kWh usage; annual bill calculated using VDO fixed flat tariffs)	VDO compliant maximum annual bill amount – small business customers (20,000kWh usage; annual bill calculated using VDO fixed flat tariffs)
AusNet Services	All standing offer tariff types offered by a retailer, not specified in Schedule 3	\$1,646	\$7,849
CitiPower	All standing offer tariff types offered by a retailer, not specified in Schedule 3	\$1,420	\$5,823
Jemena	All standing offer tariff types offered by a retailer, not specified in Schedule 3	\$1,496	\$6,240
Powercor	All standing offer tariff types offered by a retailer, not specified in Schedule 3	\$1,517	\$5,746
United Energy	All standing offer tariff types offered by a retailer, not specified in Schedule 3	\$1,508	\$6,368

## **Notes to Schedule 5:**

### **1. Calculation of VDO compliant maximum annual bill amount**

The VDO compliant maximum annual bill amount for a non-flat standing offer tariff type not specified in Schedule 3 has been calculated by taking the applicable annual reference consumption amount (ARCA) specified for prescribed customers on standing offers in note 2 below, being broadly representative of the levels of consumption of electricity by these types of customers in a 365 day period, and applying the relevant regulated VDO fixed flat tariffs for the relevant customer type in the relevant distribution zone, to the applicable ARCA, assuming a supply period of 365 days, and that the amount of electricity consumed is the same on each day of the year, to calculate a VDO compliant maximum annual bill amount for these tariff types.

### **2. Annual reference consumption amount (ARCA)**

The annual reference consumption amount (ARCA) used to calculate the VDO compliant maximum annual bill amounts in this Schedule 5 is:

- for a domestic customer – 4,000kWh per annum;
- for a small business customer – 20,000kWh per annum.



THE COMMON SEAL of the ESSENTIAL SERVICES COMMISSION was affixed pursuant to this price determination with the authority of the Commission on the .....<sup>19<sup>th</sup></sup> day of November 2019:



  
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Kate Symons  
Chairperson

