

# Next steps for the Victorian Default Offer 2021

## Variation to the current Victorian Default Offer price determination

### Submission received via Engage Victoria

**Date submitted: 17 May 2021**

**Submission prepared by: Anonymous 1 (1<sup>st</sup> submission)**

**What do you think about our proposed approach to account for changes to network tariffs in the current Victorian Default Offer price determination?**

I am a residential customer of an embedded network. I am also a relatively low user of energy. My monthly bill for energy is approximately \$40. My monthly fixed charge under the current VDO is approximately \$30.

The VDO acts as a cap on energy bills. The VDO does not deliver competition to embedded network customers. Embedded networks simply charge the maximum possible price. In the case of own embedded service provider, WinEnergy, I not only pay the maximum possible charges but I also get the minimum service. I cannot either view my bills, nor pay them on WinEnergy's website for example.

If I were to have access to the competitive market I could halve my standing charge and have no commensurate increase in my variable charge (Amped Energy offer according to the [compare.vic.gov.au](http://compare.vic.gov.au) website). I could save approximately \$180/year if I could have access to competition instead of the VDO.

It would appear that companies such as Amped are able, or at least willing to take the risk, on making a profit by offering pricing below the VDO.

The VDO is therefore set too high. Low energy users in particular are exposed to disproportionately high charges if they cannot switch retailers if they are in embedded networks. Such low users are likely to be disproportionately those on single incomes and low incomes.

It is clear from competitive offers available in the market that the VDO capped is set higher than what private industry considers a reasonable rate of return. Embedded customers however cannot access those offers.

The ESC needs to decrease the VDO to a level that provides consumer benefits to those embedded customers who cannot access the market.

Fixed charges and variable charge should be set at levels that the market appears that it can bear. Setting pricing at such levels will both reward efficient energy retailers and also reward customers, in particular those trapped inside embedded networks.

I do not have the data available to the ESC to assess how such a change in approach could benefit embedded customers, but I implore you to either extend full retail competition to all embedded customers or reduce the VDO to a level that stops rewarding inefficient energy retailers at the expense of customers.