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Claire Thomas
Manager
Review of the Victorian Default Offer Order in Council
Victorian Department of Environment, Land, Water and Planning

By email: VDOOrder.Review@delwp.vic.gov.au

Submission to the Review of the Victorian Default Offer Order in Council

Dear Claire,

Energy Consumers Australia welcomes the opportunity to comment on the Department of Environment, Land, Water and Planning's review of the Victorian Default Offer (VDO).

The VDO was introduced in 2019 to safeguard disengaged consumers from unreasonably high retail electricity prices. We consider that the VDO has achieved this policy objective. Standing offers have reduced since the introduction of the VDO, while competition remains high for engaged Victorian consumers.

We do agree that there is room to improve consumer awareness and understanding of the reference price. In particular, we suggest targeted messaging be prepared noting the low literacy, digital and numeracy skills of a large proportion of our community.

VDO has protected consumers from unreasonably high prices without reducing competition

We agree with the findings of the Consultation Paper that retail margins have decreased for both market and standing offer customers since the introduction of the VDO. This is a positive outcome for all consumers.

At the same time, we believe the VDO has not had detrimental impacts on customers engaged in the market in the form of a reduction in low-priced market offers.

In our [submission](#) to the Australian Energy Regulator for their Default Market Offer determination we conducted extensive analysis of the Victorian market. Our analysis largely echoed the Consultation Paper's findings that the Victorian market has allowed for sufficient competition while protecting consumers through the VDO.

Further, Victorian respondents to our December 2021 Energy Consumer Sentiment Survey (ECSS) were as satisfied with the level of competition in the electricity market as respondents in Default Market Offer (DMO) jurisdictions. This has also only increased since the introduction of the VDO¹.

COVID-19 has amplified the VDO's role protecting consumers from unjustifiably high prices

The VDO's success in preventing unjustifiable prices is evident in responses to our six-monthly ECSS. Our surveys saw the number of respondents feeling positive about value for money for electricity jump 9% in the first survey following the introduction of the VDO. It has continued to trend upwards since, currently sitting at 68%².

¹ Energy Consumers Australia, [Energy Consumer Sentiment Survey](#), December 2021.

² Energy Consumers Australia, [Energy Consumer Sentiment Survey](#), December 2021.



These results are particularly significant considering the ongoing pandemic which has only reinforced the need for reasonable and affordable energy prices. COVID-19 and the associated restrictions have increased pressure on households and small businesses. Research we commissioned early in the pandemic in 2020 found that 49% of respondents were more concerned about their ability to pay household bills than before the pandemic with 73% rating electricity as one of the top three bills they were concerned about³. This is particularly the case for vulnerable consumers with our recent December ECSS finding the number of consumers under financial pressure rating electricity bills as a top concern sits at 77%.

Small businesses have been some of the hardest hit from repeated lockdowns. In April 2022, the Council of Small Business Organisations Australia (COSBOA) found that 1 in 3 small businesses has experienced energy hardship as a direct result of the pandemic⁴. This is particularly concerning considering small businesses are also more likely than residential customers to be on higher priced standing offers⁵, emphasising the need for these contracts to be set at a reasonable and affordable level.

There is room to improve the VDO's function as a reference price

The Consultation Paper outlines the low levels of awareness of the VDO. We agree that the Department should investigate possible ways to increase consumer awareness of the role of the VDO as a tool for navigating the electricity market.

Our December ECSS found that only 70% of Victorian households felt confident in their ability to make choices about energy products and services, while only 63% were confident there is enough easily understood information available to help make decisions about energy.⁶ However, these results were lower for consumers experiencing financial vulnerability. These consumers were the least likely to feel confident making choices about energy products and services (51%) and less than half (45%) felt there was enough easily understood information available to make decisions. This indicates that there is room for further improvement in broadening the impact of the VDO as a reference price, particularly for vulnerable consumers.

The Department of Industry, Science, Energy and Resources (DISER) have also recently considered improvements to the function of the Default Market Offer as the reference price. Below, we make the same [suggestions](#) we submitted as part of that review.

A reliance on online comparative websites to spread awareness of the DMO may fail to consider consumers with low levels of literacy, numeracy or digital problem-solving skills. Further, with over a fifth (21%) of Australians speaking a language other than English at home, it is important to ensure the VDO is communicated in a way that is understandable for these households⁷. We suggest that investigating alternative, targeted ways of communicating the VDO and its functions should be considered in Victoria.

³ Energy Consumers Australia, *Shock to the System: energy consumers' experience of the Covid-19 crisis*, June 2020.

⁴ COSBOA, *The Small Business Perspective*, April 2022, p. 69.

⁵ Australian Competition and Consumer Commission, *Inquiry into the National Electricity Market*, May 2021, p. 18.

⁶ Energy Consumers Australia, *Energy Consumer Sentiment Survey*, December 2021.

⁷ Australian Bureau of Statistics, *2016 Census Data Summary*.



We also advocate for collaboration with DISER on their ongoing review of the DMO to ensure that where possible, there are consistent approaches across jurisdictions. Consistency across jurisdictions and increased collaboration can further aid knowledge sharing between the community. For example, before COVID-19, since 2015 we were seeing trends of increasing interstate migration⁸ with young Australians particularly likely to move⁹. By having different approach across jurisdictions, this limits the ability for family members to share learnings.

If you have any questions about our comments in this submission, or require further detail, please contact Alice Gordon at alice.g@energyconsumersaustralia.com.au.

Yours sincerely,

Jacqueline Crawshaw
Director, Energy Services and Markets
Energy Consumers Australia

⁸ Centre for Population, *Provisional Regional Internal Migration Estimates (PRIME)*, March 2021.

⁹ ABS, *Census: younger Australians more likely to make a move*, October 2017.