

2023–24 Victorian Default Offer

Draft Decision Factsheet

March 2023



What is the Victorian Default Offer?

The Victorian Default Offer was established in 2019 to provide a simple, trusted and reasonably priced electricity option for Victorian consumers. It is set by an independent regulator, not energy companies.

All electricity retailers in Victoria must offer residential or small business customers the current Victorian Default Offer.

Energy companies are also required to use the default offer as a reference price when they advertise retail market offers, to help Victorian consumers compare energy deals.

The default offer is not necessarily the lowest price in the market.

What is the draft decision for the 2023–24 Victorian Default Offer?

The Essential Services Commission has released a [draft decision for consultation](#) proposing increases from 1 July 2023 for residential and small business customers on the Victorian Default Offer.

The draft decision is proposing to increase the Victorian Default Offer by around \$426 for residential customers, with prices increasing from \$1,403 to about \$1,829 per year. Prices for small business customers would increase by around \$1,738, from \$5,620 to about \$7,358 per year.

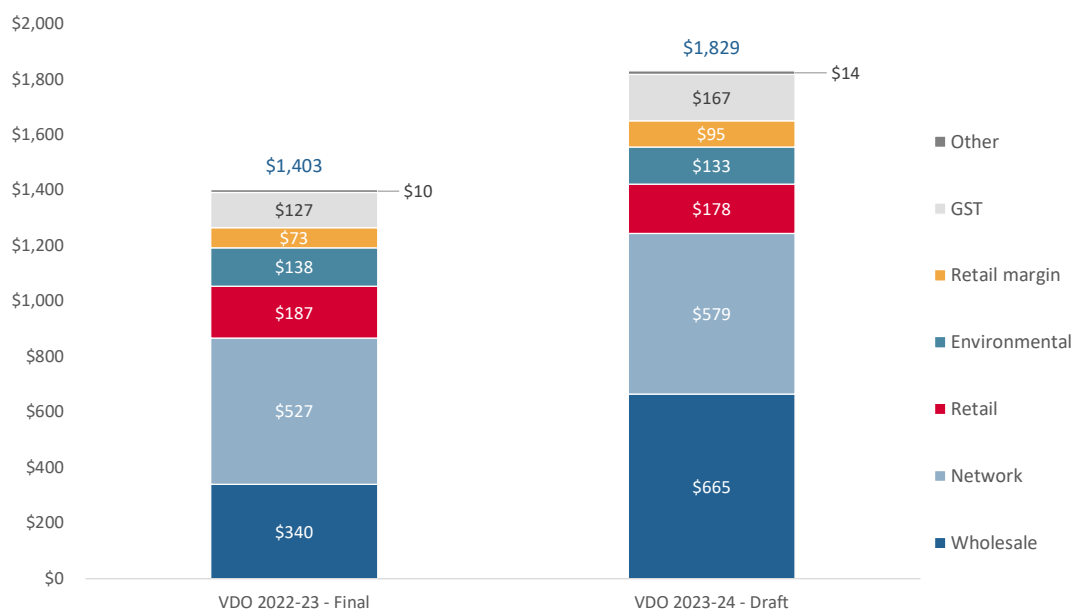
The changes are primarily due to significant increases in wholesale electricity costs driven by energy market volatility in 2022. This impacted the prices energy retailers paid in their futures contract arrangements to purchase electricity from the wholesale market to supply Victorian consumers. Futures contract prices are used to calculate the Victorian Default Offer.





The Victorian Default Offer also reflects costs paid by electricity retailers to the distribution businesses. The commission has included an allowance for this in its draft decision ahead of the Australian Energy Regulator's annual network tariff decision due in May 2023.

Figure 1: Change in average Victorian Default Offer annual bill for domestic customers with annual usage of 4,000 kWh



How is the Victorian Default Offer set?

The Essential Services Commission (Victoria's energy regulator) sets the default offer each year. It is based on an independent analysis of the costs of buying and supplying electricity in Victoria. It takes into account:

- wholesale electricity futures market costs
- network costs
- environmental costs
- retail costs



- network losses
- retail operating margin
- other relevant costs including tax.

The commission consults with retailers and the community to inform its decision on default offer pricing, through submissions and a public forum. A draft decision is released for consultation in March 2023 followed by a final decision by 24 May 2023.

The final decision on the Victorian Default Offer will consider the latest available information and final prices may differ from the draft decision. If approved, the new Victorian Default Offer prices will come into effect on 1 July 2023.

How many people are on the Victorian Default Offer?

Around 400,000 Victorian residential customers and 55,000 small businesses are currently on the Victorian Default Offer. This represents around 15 per cent of households and 19 per cent of small businesses. The default offer is also the maximum price that can be charged to the approximately 150,000 Victorian consumers in embedded networks, such as apartment buildings or shopping centres.

What's the difference between the Victorian Default Offer and the Default Market Offer?

These are both reference prices designed to make it easier for customers to compare energy plans from different retailers.

- The **Victorian Default Offer** is the Victorian safeguard. It's a price set by the Essential Services Commission, Victoria's energy regulator.
- The **Default Market Offer** applies in New South Wales, South Australia and south-east Queensland. It is set by the Australian Energy Regulator and is a maximum total bill amount energy companies can charge for 'standing offer' prices.

The different prices reflect the different costs and policy approaches of the regions covered, but they are both designed to help consumers access a reasonable price and be able to compare



prices. The Victorian Default Offer has historically been lower than the Default Market Offer. Default offers are increasing in 2023–24 across Australia due to wholesale market price increases.

What's the difference between the Essential Services Commission and the Australian Energy Regulator?

The Essential Services Commission is an independent regulator that promotes the long-term interests of Victorian consumers with respect to the price, quality and reliability of essential services. It regulates Victoria's energy, water and transport sectors and sets the Victorian Default Offer for electricity. It has no oversight role on wholesale energy markets.

The Australian Energy Regulator regulates wholesale and retail energy markets, and energy networks, under national energy legislation and rules. The Australian Energy Regulator also sets the Default Market Offer for electricity prices in New South Wales, South Australia and south-east Queensland.

For more information visit www.esc.vic.gov.au and www.aer.gov.au

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