



Implementing recommendations 3A and 4A-4E of the independent review

ESC final decision: Stakeholder briefing

28 February 2020



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Context

We are making the retail energy market easier for customers to navigate.

The government provided us with terms of reference to make these clear and fair contract reforms. These reforms will continue to build trust in the retail market by providing:

- price certainty
- clear and simple energy contracts
- protections for customers.

These reforms will commence on 1 July 2020.

Ensuring customers can easily compare offers

- Recommendation 3A asked us to require retailers to market offers in dollar terms, rather than as percentages or unanchored discounts.
- We will require retailers to advertise electricity offers with reference to the VDO price.
- In our final decision, we have clarified that retailers are only required to make a reference price comparison when they advertise an electricity offer.
- We have also specifically excluded demand tariffs from the reference price requirement.
- The Energy Retail Code will mirror Australian Consumer Law provisions to prohibit misleading and deceptive conduct.

Fixing market contract prices

- Recommendation 4A asked us to require retailers to commit to fix any prices they are offering for a minimum of 12 months.
- Recommendation 4B asked us to require retailers to clearly disclose the length of time any offered prices will be available without change.
- We will require that retailers only change their prices:
 - one month after network prices change; or
 - on the anniversary of a 12-month fixed price period expiring
- We will allow exemptions to this requirement. In our final decision we have clarified how the exemption process will work.

Protecting customers at the end of benefit and contract periods

- Recommendation 4C asked us to require retailers to roll customers onto the nearest matching offer at the end of a contract or benefit period.
 - We will require retailers to automatically roll customers onto the VDO (for electricity) or the best offer (for gas) if they do not give explicit informed consent to be moved onto a different offer.
 - For gas, this is subject to legislative amendment.
- Recommendation 4D asked us to require any conditional discount or benefit be evergreen.
 - We will require retailers to align benefit periods with contract periods.
 - We have modified our draft decision so that this requirement only applies to contracts entered into from 1 July. However, we will monitor existing contracts – particularly those with expired benefit periods.

Regulating conditional discounts

- Recommendation 4E asked us to cap the costs incurred by customers for failing to meet offer conditions, so they are no higher than the reasonable cost to the retailer.
- We will determine an annual pay-on-time discount cap based on the commission's methodology for capping water interest rates.
- In our final decision, we have amended the debt risk premium so that it is based on BBB- rated companies rather than BBB+ rated companies.
- The cap will be based on data as of 31 March each year and retailers will be notified of any change in the level of the cap in early-May each year.

Including information about the VDO on bills

- We were requested to amend the Energy Retail Code to require electricity bills to include information about how a customer may access the VDO.
- We will require retailers to include a prescribed statement on the front page of every electricity bill issued after 1 July 2020.
- In our final decision, we have modified the prescribed statement to:

“The Victorian Default Offer is a reasonably priced electricity offer set by Victoria’s independent regulator. Contact us on [phone number] to discuss the suitability of this plan for you.”

Changing the back-billing rules

- We were requested to amend the Energy Retail Code to reduce the allowable back-billing period from 9 months to 4 months.
- The policy intent is unchanged, but we are consulting further on changes to the energy retail and distribution codes.
- We have published a separate draft decision that sets out proposed amendments. We intend to publish a final decision in June 2020 and require the new rules to take effect from 1 January 2021.

Summary: Our final decisions

Independent Review recommendation	Final decision
3A Retailers to not market unanchored discounts	VDO to be a reference price for marketing of electricity offers.
4A Fixing prices for 12 months	Price increases can only occur one month after network prices change. Retailers may also offer 12-month fixed price contracts.
4B Disclose length of time before price change	Implemented through approach to 4A.
4C Roll customers onto nearest matching offer	Customers to roll onto VDO (for electricity) or best offer (for gas) at end of a fixed-term contract.
4D Discounts or benefits to be evergreen	Benefit and contract terms to be aligned.
4E Cap the costs of failing to meet discounts	Cap methodology based on ESC approach in water.
Other requests	Final decision
Including information about accessing the VDO on electricity bills	Prescribed message that retailers must publish on the front page of every electricity bill.
Changing the back-billing rules	Undertaking further consultation.

Implementation and next steps

28 February 2020	Publish final decision Publish back-billing draft decision
27 March 2020	Submissions to back-billing draft decision close
June 2020	Publish back-billing final decision
1 July 2020	Code amendments (excl. back-billing) come into effect
1 January 2021	Back-billing rules come into effect