

# Public engagement summary: Victorian Default Offer 2021

The Essential Services Commission released its [final decision and price determination](#) on Victorian Default Offer prices to apply from 1 January 2021 for customers on electricity standing offers on 27 November 2020.

## Project background

The purpose of this project was to determine Victorian Default Offer prices (and the maximum annual bill) that will apply from 1 January 2021 to 31 December 2021.

The Victorian Default Offer is a simple and trusted electricity price that is set by us, not energy companies, every year. It provides Victorian consumers access to a fair electricity deal even if they are unable or unwilling to engage in the retail market. The Victorian Default Offer also functions as the maximum price embedded network operators may charge residential and small business customers.

In determining the Victorian Default Offer, we run a public engagement process to ensure the views of interested stakeholders are considered. Engaging with stakeholders during the coronavirus pandemic meant we adapted our approach to the needs of stakeholders. We made it easier for stakeholders to have their say in this environment. Activities we undertook included:

- asking key questions about our approach in our consultation paper
- promoting discussion in our online public forums where we heard from consumers and businesses
- answering questions that came to us through our Engage Victoria virtual public forum, and
- requesting and receiving submissions on our consultation paper and our draft decision.

The engagement process has informed our decision making and we have provided a summary of how on page 4. We have made our decision after considering all matters raised by stakeholders and all relevant provisions and matters we must have regard to under the Essential Services Commission Act 2001 (Vic) (ESC Act), Electricity Industry Act 2001 (Vic) (EI Act) and the pricing order.

## How we engaged



### Key dates

- 16 June 2020: consultation paper was released, and first phase of consultation opened. We sought views on our approach to setting the 2021 Victorian Default Offer.
- 14 July 2020: online public forum. We explained our proposed approach, heard from the sector, and took questions from attendees.
- 21 July 2020: submissions to consultation paper closed.
- 15 September 2020: draft decision was released, and second phase of consultation opened. We sought views on our proposed approach and its impact on customer bills.
- 8 October 2020: online public forum. We explained our draft decision, heard from the sector, and spoke with attendees.
- 20 October 2020: submissions to draft decision closed.
- 27 November 2020: final decision and price determination was released.



### Methodology

- We sought feedback and submissions via [Engage Victoria](#) for both the consultation paper and draft decision.
- We held online public forums.
- We had one-on-one meetings with stakeholders.



### Number of participants

- 466 views of our [Engage Victoria consultation page](#) by 304 visitors from 16 June 2020 to 20 October 2020.
- Multiple meetings with stakeholders including:
  - energy retailers
  - consumer representatives and advocates and
  - government departments.
- 140 attendees at our online public forums including:
  - consumers
  - consumer representatives and advocates
  - energy retailers
  - other regulators and
  - government departments.



### Number of submissions received (written, verbal)

- Consultation paper: 26 written submissions.
- Draft decision: 17 written submissions.
- Verbal submissions were provided through the consultation process at meetings and forums.

All submissions can be found on our [website](#).

## Summary of feedback

We asked	You said	We did
We asked about the impact, if any, of the coronavirus pandemic and how this might be considered in the Victorian Default Offer.	Retailers told us that the pandemic had led to an increase in their costs (particularly in managing bad debts). They provided us with cost data that showed increases in bad debts ranging from 30 per cent to 165 per cent.	In response to cost data information, our final decision incorporates an allowance for bad debts in the retail operating cost allowance.
We asked for feedback about what the length of the regulatory period should be (or the period of time the Victorian Default Offer is active). We noted the link between Victorian Default Offer regulatory periods (which are currently set on calendar year basis) and Victorian network businesses regulatory periods (which have recently been changed to financial year).	Most feedback on the length of the regulatory period supported changing the 2021 Victorian Default Offer to a six-month regulatory period from 1 January to 30 June 2021, to align with regulatory periods Victorian network businesses. One retailer proposed extending the current regulatory period for six-months until 30 June 2021.	After considering all the available options we determined that a six-month regulatory period was not practical and set a 12-month period commencing 1 January 2021 which uses a variation mechanism (the events that would lead us to reopen our price determination).
We requested feedback on the current variation mechanism (the events that would lead us to reopen our price determination), and whether it is fit for purpose, particularly in the context of the coronavirus pandemic.	Our existing variation mechanism was generally supported. Some submissions noted the uncertainty associated with the pandemic may not meet the threshold to trigger a variation in our determination.	We have included a variation mechanism that provides for material unforeseen change or errors. We also nominated the Australian Energy Regulator's approval of network tariffs as an event that would lead us to consider a variation to our determination.

Further detail on our responses to submissions can be found in our final decision document on [the project website](#).

## Our engagement events

### Our online public forums

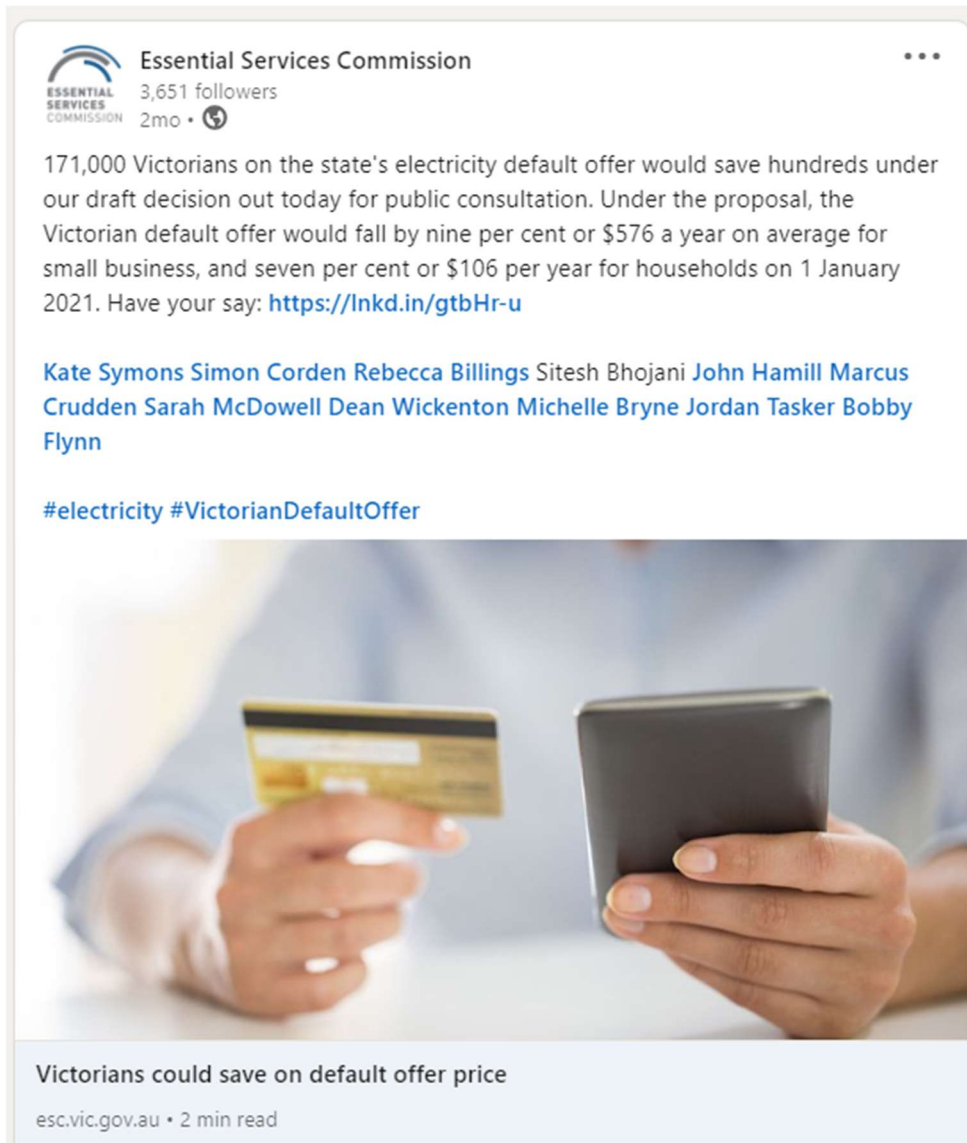
Recordings of our online public forums are available to view online at the commission's [YouTube channel](#).



## Online engagement

### LinkedIn

We used LinkedIn to share information about this project.




The image shows a screenshot of a LinkedIn post from the Essential Services Commission. The post includes the organization's logo, name, and follower count (3,651). The main text of the post discusses a draft decision on electricity default offers, stating that 171,000 Victorians could save hundreds under the proposal. It provides a link to a public consultation page. Below the text, there is a list of names of people who interacted with the post and two hashtags: #electricity and #VictorianDefaultOffer. A photograph shows a person's hands holding a credit card and a smartphone. At the bottom of the post, there is a headline 'Victorians could save on default offer price' and a link to the article on the ESC website with a 2-minute read time.

**Essential Services Commission**  
3,651 followers  
2mo • 🌐

171,000 Victorians on the state's electricity default offer would save hundreds under our draft decision out today for public consultation. Under the proposal, the Victorian default offer would fall by nine per cent or \$576 a year on average for small business, and seven per cent or \$106 per year for households on 1 January 2021. Have your say: <https://lnkd.in/gtbHr-u>

[Kate Symons](#) [Simon Corden](#) [Rebecca Billings](#) [Sitesh Bhojani](#) [John Hamill](#) [Marcus Crudden](#) [Sarah McDowell](#) [Dean Wickenton](#) [Michelle Bryne](#) [Jordan Tasker](#) [Bobby Flynn](#)

#electricity #VictorianDefaultOffer



**Victorians could save on default offer price**  
[esc.vic.gov.au](https://esc.vic.gov.au) • 2 min read

## Engage Victoria

A snapshot of our [Engage Victoria consultation page](#) after consultation on the draft decision closed. We used Engage Victoria throughout the course of this project.

| Essential Services Commission

### Victorian Default Offer 2021

The Essential Services Commission is setting the Victorian Default Offer for electricity and wants to hear your views on their approach.



#### Overview

The Essential Services Commission is responsible for setting the Victorian Default Offer prices. These prices are designed to be a simple, trusted and reasonably priced electricity option that safeguards customers that are unwilling or unable to engage in the market. Each year the Victorian Government has required the commission to review the prices it has set to make sure they are based on efficient costs and continue to provide a safeguard to consumers.

The commission has made a draft decision on the Victorian Default Offer that electricity retailers may charge domestic and small business customers from 1 January 2021. The draft decision is that Victorian Default Offer prices would decrease from 2020 prices.

#### How this affects you

If you are on a standing offer, which means that you haven't chosen a specific plan to suit your needs, then you are protected by the Victorian Default Offer. If you are unsure if you are on a standing offer, you should check your bill or with your retailer. Switching from a standing offer could save you money on your electricity bill.

#### What we've done so far

The commission released a consultation paper in June. In July the commission held a public forum to outline the key points of the consultation paper and to provide an opportunity for stakeholders to ask questions. The feedback the proposed approach to setting the Victorian Default Offer prices for 2021 set out in the consultation paper has informed our draft decision.

#### Key facts about our draft decision

- The draft decision on the 2021 Victorian Default Offer is to use a similar approach and methodology as the 2020 Victorian Default Offer.
- The draft decision means that on average residential bills (for those on the Victorian Default Offer) would fall by roughly seven per cent and small business bills will fall by roughly nine per cent. This is mainly due to a fall in wholesale electricity purchase costs.
- The proposed regulatory period for the 2021 Victorian Default Offer is 12 months from 1 January 2021.
- The draft decision also takes account of potential impacts of the pandemic on retailers and consumers. The commission will continue to monitor the impacts ahead of making the final

#### Updates

[Slides and recording from our online forum now available.](#)

Slides and recording from the Victorian Default Offer 2021 draft decision public forum have now been published.

12 October 2020

Show more

#### Timeline

- ✓ **Consultation paper released**  
16 June 2020
- ✓ **Consultation on consultation paper opens**  
16 June 2020
- ✓ **Online public forum**  
July 2020
- ✓ **Consultation on consultation paper closes**  
21 July 2020
- ✓ **Draft decision released**  
15 September 2020
- ✓ **Consultation on draft decision opens**  
15 September 2020