



Hon Lily D'Ambrosio MP

Minister for Energy, Environment and Climate Change
Minister for Solar Homes

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Ms Kate Symons
Chairperson
Essential Services Commission
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Ref: MIN087174



Dear Ms Symons

CHANGE TO REGULATORY PERIOD FOR VICTORIA DEFAULT OFFER TO ALIGN WITH NETWORK TARIFFS

Thank you for your letter of 9 July 2021 to consult with me about extending or reducing the 12-month regulatory period for the Essential Services Commission's (ESC) upcoming 2022 Victorian Default Offer (VDO) price determination.

I acknowledge that it is appropriate to change the regulatory period for the 2022 VDO to align with the new timing of electricity network pricing determinations implemented by the Victorian Government. Through this important reform, the Victorian Government has reduced the potential for bill shock over the December-January holiday period, taking financial pressure off Victorian consumers. Mid-year price changes may also be a more effective prompt for Victorians to check that they are on the best energy offer available and ensure consumers on the VDO share in any network cost benefits.

I recognise the broad support among stakeholders consulted by the ESC for a six-month regulatory period for the 2022 VDO rather than an 18-month regulatory period. A six-month regulatory period would align the VDO with network pricing sooner. The Victorian Government's reform to remove unnecessary gazettal requirements for the VDO will make the additional price determination easier to implement.

Should the ESC opt for a six-month regulatory period, consumers on the VDO would face their fourth price change in 18 months. This would trigger best offer messaging from electricity retailers which may encourage consumers to switch to a better offer, however the price change may also cause stress. Several regulatory changes will also likely be impacting retailers from the implementation of the Energy Fairness Plan at this same time. The ESC should work closely with electricity retailers and my department to ensure consumer confusion about the additional price change is minimised.

Thank you once again for raising this important matter with me. I look forward to the ESC's draft decision on the 2022 VDO price determination in September 2021.

Yours sincerely

Hon Lily D'Ambrosio MP
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