

Minutes

Retail Market Review – Stakeholder Reference Group Meeting #20

Date and Time: Tuesday 19 November 2019, 9:30 am – 11:00 am

Location: Brussels Room, Dialogue Conference Centre, 50 Lonsdale Street, Melbourne VIC 3000

Present:

Name	Organisation
Ben Barnes	AEC
Bronwen Jennings	AER
David Bryant	Brotherhood of St Laurence
Jake Lilley	CALC
Aaron Yuen	ESC
Sugi Sivarajan	ESC
Sophia Dong	ESC
Zac Gillam	EWOV
Phil Gardiner	Onsite Energy Solutions
Bryn Dellar	Onsite Energy Solutions
Michael Beneviste	Powershop
Stefanie Macri	Red Energy
Gavin Duffy	St Vincent de Paul Society
Lashae Roulston	DELWP (observer)

Agenda items

1.1. Clean & fair contracts

1.1.1. Recommendation 4E

- Following recent feedback from workshops with stakeholders, commission staff are proposing to develop a methodology in setting a cap on conditional pay-on-time discounts. Commission staff note a similar methodology used to set caps in the water industry, which sets a maximum annualised rate of interest for fees not paid which includes a risk-free rate and a borrowing margin (which would be reflective of energy businesses).
- This cap will apply to all new contracts from 1 July 2020 rather than for existing contracts, but are conscious of how this will interact with customers who are in payment difficulty. We are considering a retailer obligation to honour pay-on-time discounts for customers who are receiving tailored assistance.

Discussion

- Consumer groups agree that a commission led approach is more beneficial for consumers as it creates consistency across retailers and is easier to understand and follow. A cap will reduce the harm to consumers who are unable to pay on time, especially in the gas industry.
- Stakeholders noted that the cap used in the water industry accounts for compound interest accrued on debt and added to the final bill, which is different from how pay on time discounts are applied in the energy industry.
- Stakeholders are concerned with excessive regulatory burden and question what the intent and objective of this recommendation and what the consequences this will have on the competitive market considering large discounts are generally no longer in practice in the energy sector.
 - Commission staff noted that the cap focuses particularly on conditional pay-on-time discounts and to ensure that the cost of not meeting these discounts is not exorbitant. This makes sure that is there protection for customers for when something is missed. The cap aims to lift the minimum protection for customers in the market and clarifies for customers what they can expect when they enter a contract with their retailers and that the level of protection they receive will not vary significantly from other retailers. We noted that though there are fewer large discounts in electricity, there remains higher discounts in gas.
- Stakeholders noted that pay-on-time conditional discounts are used as an incentive to encourage customers to pay on time, and a cap on these discounts reduces this incentive.
- Stakeholders questioned how a new obligation would apply to customers receiving tailored assistance (on existing contracts). Commission staff suggested an obligation where are retailer would honour the conditional discount amount if a customer is on tailored assistance and enters in a payment arrangement.

- Stakeholders questioned whether the cap would be a precise figure, or a range. Commission staff noted that in terms of new contracts with conditional pay-on-time offers, we intend to develop a methodology that is transparent and results in a defined and set cap.

1.1.2. Recommendation 4D

- We are currently developing our approach in making discounts and benefits evergreen. One approach is addressing the construct of a benefit period and matching the benefit period to the contract period. This will apply to all new contracts from 1 July 2020 and we are currently considering how this interact with customers who are in existing contracts within a benefit period.

Discussion

- Stakeholders questioned whether this obligation would focus on financial benefits or non-financial benefits. Commission staff noted that the focus is on on-going financial benefits to prevent price shock for customers when a benefit period is over.
- Stakeholders discussed how a benefit period would be defined, and whether this would prevent retailers from developing a new contract term similar to a benefit period.
- Commission staff also noted that this obligation is intended to apply also to gas contracts. Commission staff also noted the intention that for customers who are on existing contracts who by 1 July 2020 are still within the benefit period, the benefit period will become evergreen.
- Stakeholders questioned how this obligation would relate to recommendation 4A (in terms of a price increase day). Commission staff noted that even though benefit periods will be aligned with contract periods, prices will still be able to be increased on the 1 January.

1.1.3. Recommendation 4A – C

Questions/comments from stakeholders

- Stakeholders expressed interest in aligning these recommendations together. This makes it much easier for retailers to respond to these new regulations. By looking at all the recommendations and changes separately, it creates difficulties in implementation for retailers.
- Stakeholders raised concerns that 1 January may not be a suitable day to send customers price change letters. Furthermore, with price changes to AEMO also occurring on 1 July where implementation of several new regulations will occur, customers from across the NEM will be calling their retailers, putting a considerable strain on customer service surround these dates.

1.2. Back-billing issues

- Commission staff noted that the Victorian government recently announced a policy position to reduce back-billing times from nine months to four months. The commission intends to prepare a draft decision on this policy position.

Discussion

- Retailers noted that in many instances, undercharging is often due to distributor or customer error not supplying the correct meter data and there needs to be consideration of who bears this cost.
- Stakeholders questioned whether similar provisions would apply to distributors, and also considered that retailers may need more time to consider the implications of this draft decision. Stakeholders noted that this will also need to be factored in the upcoming VDO price changes and encourage more time and engagement in developing this policy.

1.3. Updates

1.3.1. Competitiveness review public forum

- Following the competitiveness review public forum, we expect to release a draft decision in December, this decision will be open for consultations for a longer period giving stakeholders more time to send in submissions.

Questions/comments from stakeholders

- Stakeholders found having experts at the forum presenting their views to be very useful but suggested that the panel session could have been moderated more efficiently.

1.3.2. Compliance and Reporting

- The Compliance and Reporting Guidelines will be released soon. Following stakeholder workshops and meetings, timelines have been extended for when reporting changes are coming into effect.

1.3.3. Victorian Default Offer

- The VDO final decision is expected to be released by the end of November.

1.3.4. Life Support

- Life support draft decision is expected to be released by the end of November.

1.3.5. Any other business

- Stakeholders raised concerns about whether Victoria has exclusions for natural disasters in compliance and reporting guidelines as well as implementation of new regulations given the higher risk of potential bushfires this summer.

Appendix A - Agenda

No.	Item	Presenter	Duration
1	Clear & fair contracts		
	<ul style="list-style-type: none"> • Recommendation 4E: • Discussion on a potential methodology to cap conditional pay-on-time discounts is like that applied in the water industry, which is to set a maximum, annualised, compounding rate of interest that uses: <ul style="list-style-type: none"> – the 10 year Commonwealth bond rate as the base rate – a borrowing margin reflective of an energy business. • The cap would apply to all new contracts from 1 July 2020. • • For existing contracts, we are considering an obligation for retailers to honour pay-on-time discounts for customers receiving tailored assistance. This is mainly focused on protections for vulnerable customers receiving conditional pay-on-time discounts. 	Aaron Yuen (Chair)	20
	<ul style="list-style-type: none"> • Recommendation 4D: • Discussion on applying an obligation for retailers to match benefit and contract periods, which will apply to: <ul style="list-style-type: none"> – new contracts from 1 July 2020 and – existing contracts where customers are within a benefit period from 1 July 2020. 	Aaron Yuen (Chair)	20
	<ul style="list-style-type: none"> • Recommendations 4A-C: Opportunity for further feedback 	All	20
2	Back-billing issues		
	<ul style="list-style-type: none"> • Discussion on considerations for reducing back-billing times from nine to four months for undercharging 	Aaron Yuen (Chair)	15
3	Updates		
	<ul style="list-style-type: none"> • Competitiveness review public forum, Compliance and Reporting Guideline, Victorian Default Offer 	Aaron Yuen (Chair)	10