

Victorian Default Offer 2023-24

Submission received via Engage Victoria on our consultation paper on Victorian Default Offer 2023-24

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What are your views about our proposed approach to setting the 2023–24 Victorian Default Offer?

It is largely in line with previous approaches and the current orthodoxy, however acknowledging prices have gone up because of "coal fired plant outages" that have been driven by government policy and bringing forward coal fired power plant closures, thereby increasing the future costs of power reflected in hedging positions. Then compounding this price rise effect caused largely by government policy to decrease the supply of cheaper coal fired electricity, by adding on increased levies for "environmental costs" to pay for accelerated green energy projects, seems to be the main driver of baked-in increases in energy costs. Government policy and action outside the control of the lower socio-economic consumers who are most likely to avail themselves of the default offer, and be most sensitive to price rises, appears to be a conundrum for the government in fixing the default price.

Do you think that the costs associated with the Australian Energy Market Operator's June 2022 interventions in the wholesale market should be reflected in the Victorian Default Offer? Why/Why not?

Yes

Reluctantly, Yes. But the governments (state and federal) through their own policies have contributed greatly towards the rising energy costs, and these price rises are ultimately passed onto consumers. However the costs are real and it would be commercially unviable for retailers to not reflect them in their rates.

What are your views on using a variation mechanism for market intervention costs?

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Do you think we should make changes to our retail cost benchmarks? Why/Why not?

Yes

Yes, abandoning a simple CPI increase and looking at other cost factors is a fairer approach.

Do you think we should make changes to our customer acquisition and retention cost benchmark? Why/Why not?

Yes

Competition in the marketplace was supposed to make energy prices cheaper and more drive efficiency. Paying/contributing towards a acquisition and competition costs seems to be the antithesis of this.

Do you think we should publish consultation papers in addition to our draft decision papers in future Victorian Default Offer reviews? Why/Why not?

Yes

Yes, MEA believe that there should be consultations on more rapidly unlocking the value of CER/DER by the state government, to more efficiently utilise the rooftop PV, home batteries, in the market and load shifting capacity in a coordinated way to reduce peak demand.

Are there any other matters the commission should look into?

Consider reversing the accelerated timeline for the closure of the LaTrobe Valley Power Stations, to give alternative energy schemes time to come on line, and to reduce the upward pressure on hedging positions for future energy prices that would flow from more certainty about the lifespan of the cheaper coal fired power.