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Victorian Energy Market Update



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The Victorian energy market update meets our reporting obligations under Sections 54V and 54W of the Essential Services Commission Act 2001, Section 39A of the Electricity Industry Act 2000 and Section 47 of the Gas Industry Act 2001.

Electricity market offers between January and March 2021 reduced and gas offers remained stable, but three out of four residential electricity customers were told they were **not** on the best offer with their retailer.

We continued to hold Victorian energy retailers to account by enforcing the rules, having issued more than one million dollars worth of penalty notices.

Disconnection levels from March 2021 appear to be returning to 2019 levels.

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Energy market offers

We regularly analyse the price of energy offers published on the Victorian Energy Compare website by retailers. These prices reflect the energy offers retailers make available for customers to switch plans rather than what customers currently pay.¹

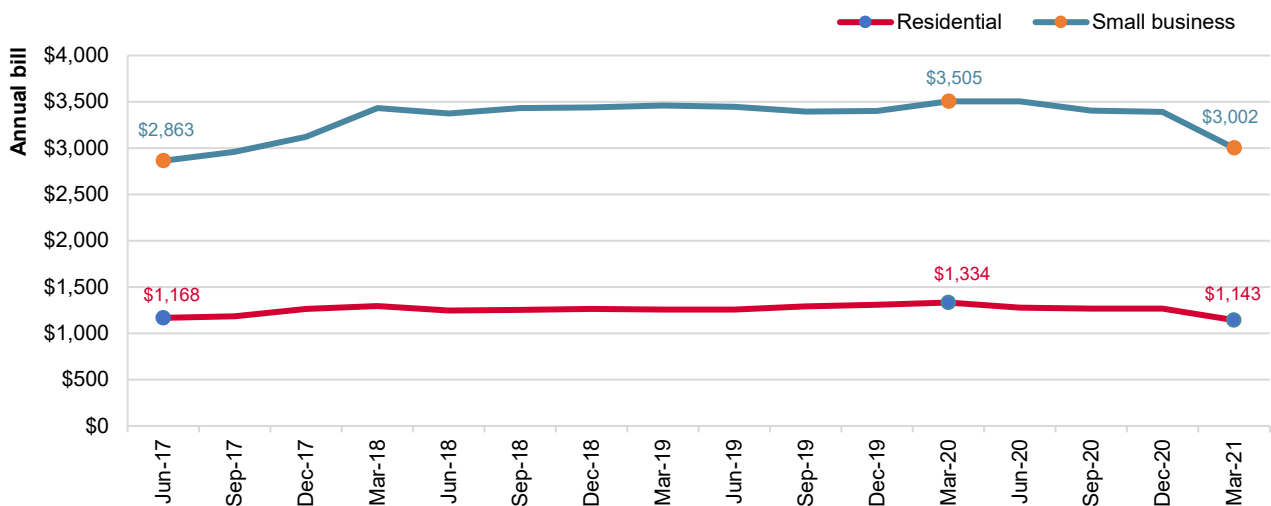
Residential electricity offers reduced further in March and are 11 per cent lower than a year ago

Our review of electricity retail market offers available on 31 March 2021 shows a reduction in prices.

We reviewed the market offers within the CitiPower network which covers Melbourne’s CBD and inner suburbs. We chose this area as all retailers operate in this distribution zone. Although these results are for Melbourne CBD and inner suburbs, the decrease in prices for electricity has been consistent across all distribution zones for Victoria.

The median price of all market offers in March 2021 is the lowest since June 2017 (see Figure 1).

Figure 1: Electricity median market offers – CitiPower



Note: Data labels show the start, minimum and maximum values over this period.

Source: Commission analysis of Victorian Energy Compare data

Over the past year, since March 2020, the median price of market offers not subject to any discounts reduced by 11 per cent, from \$1,306 to \$1,163.

¹ Estimated residential annual bills in this chapter assume yearly electricity consumption of 4,000 kWh and gas consumption of 54.4 GJ, while for small business consumption of 12,000 kWh and 500 GJ respectively.

The median cost of these market offers decreased by three per cent, from \$1,202 to \$1,163, in the last two months since 31 January 2021 (see Figure 2).

Figure 2: Electricity median offer estimates – CitiPower

	Residential			Small business		
	31 Mar 2020	31 Jan 2021	31 Mar 2021	31 Mar 2020	31 Jan 2021	31 Mar 2021
Victorian Default Offer	\$1,420	\$1,270	\$1,270	\$3,689	\$3,157	\$3,157
Change from previous period		↓ 11%	0%		↓ 14%	0%
Market offers (no discount conditions)						
No discount offers	\$1,306	\$1,202	\$1,163	\$3,505	\$3,067	\$3,029
Change from previous period		↓ 8%	↓ 3%		↓ 12%	↓ 1%
Market offer with a guaranteed discount	\$1,313	\$1,132	\$1,132	\$3,665	\$3,062	\$2,999
Change from previous period		↓ 14%	0%		↓ 16%	↓ 2%
Conditional market offers						
Discount market offers (conditional discounts applied)	\$1,323	\$1,266	\$1,024	\$3,436	\$3,263	\$3,035
Change from previous period		↓ 4%	↓ 19%		↓ 5%	↓ 7%
Discount market offers (all discounts not applied)	\$1,420	\$1,406	\$1,069	\$3,689	\$3,465	\$3,156
Change from previous period		↓ 1%	↓ 24%		↓ 6%	↓ 9%

Note: These figures represent the median annual offer prices for CitiPower. Estimates are based on a typical residential customer using 4,000 kWh per year and a typical small business customer using 12,000 kWh per year for generally available electricity offers (excluding offers with controlled loads). Conditional discounts can include paying on time and direct debit options. Figures include GST.

Source: Commission analysis of retailers' offers submitted to Victorian Energy Compare (data query for 25 May 2021)

In March 2021, three in four market offers had prices not subject to any discounts.

From 1 July 2021, if a customer takes out a new electricity or gas offer with their current or new retailer, their pay-on-time discount will be capped at 3.10 per cent.

Small businesses' electricity offers are 14 per cent lower than a year ago

Our review of energy retail offers show the median electricity price, with no discount, for small businesses was \$3,029 in March 2021. This is one per cent lower than the price in January 201 (\$3,067) and 14 per cent lower than a year ago (\$3,505). (See Figure 2.)

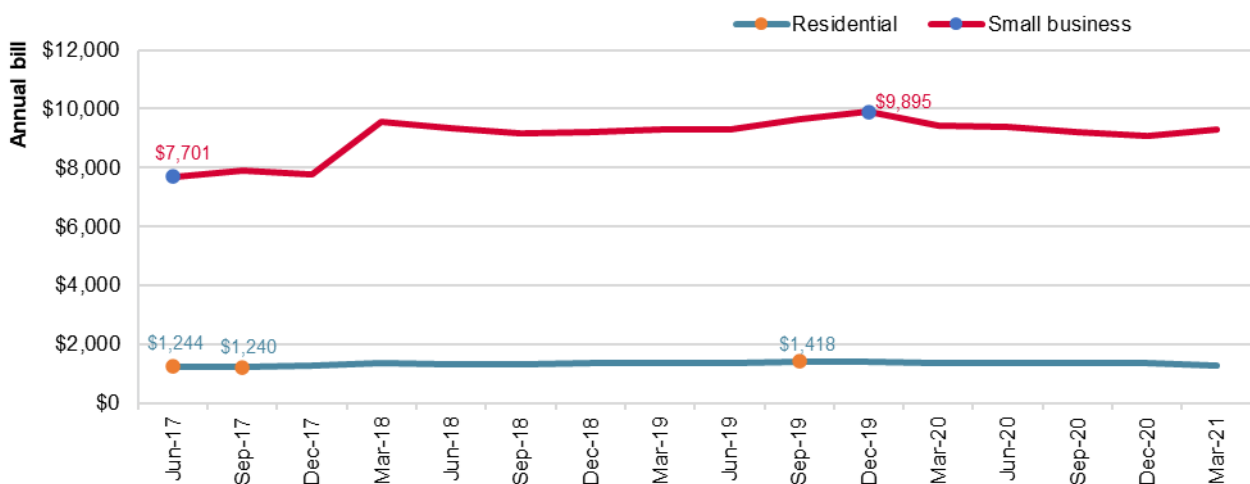
Residential gas offers have remained stable in March 2021

Our review of gas retail market offers available on 31 March 2021 shows a stabilisation in prices.

We reviewed the market offers within the Australia Gas Network Central area, which covers Melbourne's CBD and inner suburbs, because all retailers operate in this distribution zone.

The median price of all market offers in March 2021 is the lowest since December 2017 (see Figure 3).

Figure 3: Gas median market offers – Australia Gas Networks Central area



Note: Data labels show the start, minimum and maximum values over this period.

Source: Commission analysis of Victorian Energy Compare data

Since March 2020, the median price of market offers not subject to any discounts reduced by four per cent, from \$1,411 to \$1,350.

The median cost of these market offers was unchanged at \$1,350, compared with prices available at 31 January 2021 (see Figure 4). Over this same period, standing offer prices increased by two per cent.

In March 2021, nearly two in three market offers had prices not subject to any discounts.

Small businesses' gas offers have remained unchanged in March 2021 and for the last year

Gas offers with no discount, for small businesses, stabilised at \$9,426 between 31 January 2021 and 31 March 2021, and have been relatively steady over the past 12 months (see Figure 4).

Figure 4: Gas median offer estimates – Australian Gas Networks Central area

	Residential			Small Business		
	31 Mar 2020	31 Jan 2021	31 Mar 2021	31 Mar 2020	31 Jan 2021	31 Mar 2021
Standard contract offer	\$1,784	\$1,689	\$1,728	\$11,978	\$11,848	\$11,745
Change from previous period		↓ 5%	↑ 2%		↓ 1%	↓ 1%
Market offers (no discount conditions)						
No discount offers	\$1,411	\$1,351	\$1,350	\$9,471	\$9,462	\$9,426
Change from previous period		↓ 4%	0%		0%	0%
Market offer with a guaranteed discount	\$1,401	\$1,360	\$1,306	\$8,995	\$9,232	\$9,095
Change from previous period		↓ 3%	↓ 4%		↑ 3%	↓ 1%
Conditional market offers						
Discount market offers (conditional discounts applied)	\$1,369	\$1,254	\$1,237	\$9,288	-	-
Change from previous period		↓ 8%	↓ 1%			
Discount market offers (all discounts not applied)	\$1,450	\$1,280	\$1,250	\$9,576	-	-
Change from previous period		↓ 12%	↓ 2%			

Note: These figures represent the median annual offer prices for Australian Gas Networks Central area. Estimates are based on a typical residential customer using 54.4 GJ per year and typical small business customers using 500GJ per year for generally available gas offers. Conditional discounts can include paying on time and direct debit options. Figures include GST.

Source: Commission analysis of retailers' offers submitted to Victorian Energy Compare (data query for 25 May 2021)

Best offer message on bills

On 1 July 2019, new rules were introduced to help energy customers navigate the energy market. One rule ensured that a customer’s energy retailer must display a message on their bill stating whether they are on the retailer’s best energy offer.

If a customer is not on the best energy plan, the message gives information on the cheaper energy plan and the amount the customer could save by switching.



When will you see a best offer message?

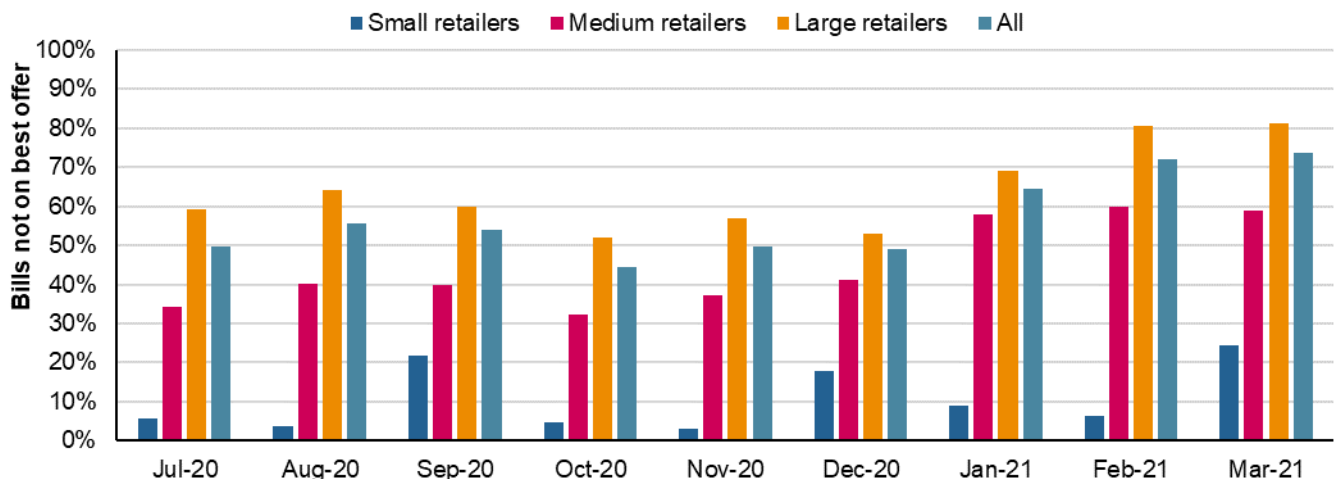
Retailers must display best offer information prominently on your bill at least every three months for electricity and every four months for gas.

Three in four residential customers are not on the best electricity offer

From July to December 2020, on average, one in two residential electricity customers were receiving a message on their bill saying they were not on the best electricity offer with their current retailer.

This increased in 2021, with the introduction of cheaper electricity offers. During March 2021, three in four residential electricity bills included a message informing customers they could be on a cheaper electricity offer with their current retailer (see Figure 5).

Figure 5: Residential electricity bills saying consumer is not on the best offer

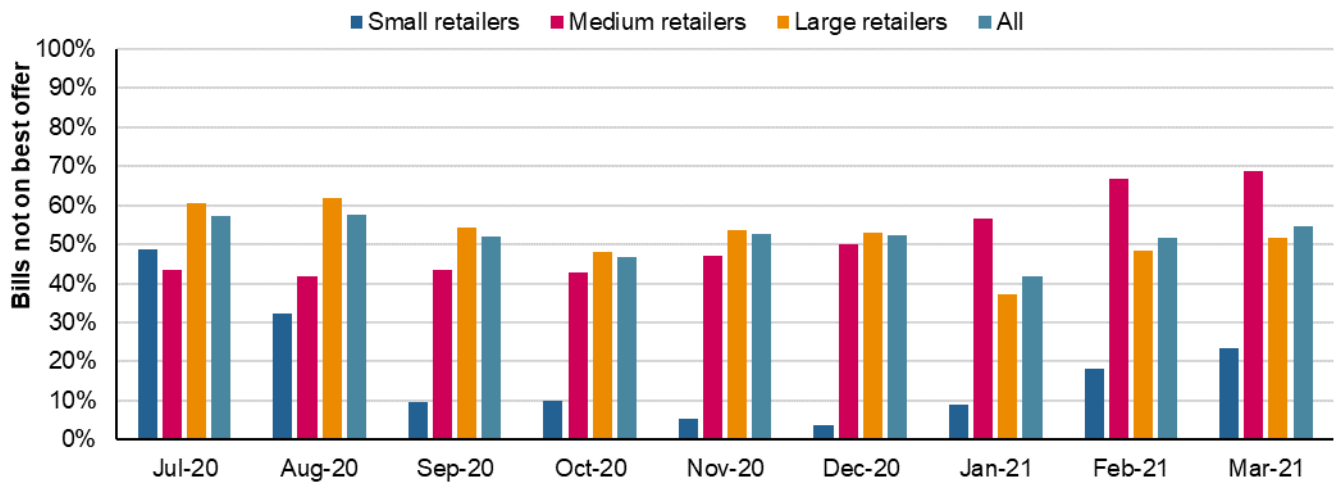


Source: Compliance and performance reporting guideline data collection

One in two residential customers is not getting a best offer on gas

In March 2021, on average, one in two residential gas bills included a message informing customers that they could be on a cheaper gas offer with their current retailer (see Figure 6).

Figure 6: Residential gas bills saying consumer is not on the best offer



Source: Compliance and performance reporting guideline data collection

Working with the sector to support energy customers during the coronavirus pandemic



Disconnections for non-payment approaching similar levels to 2019

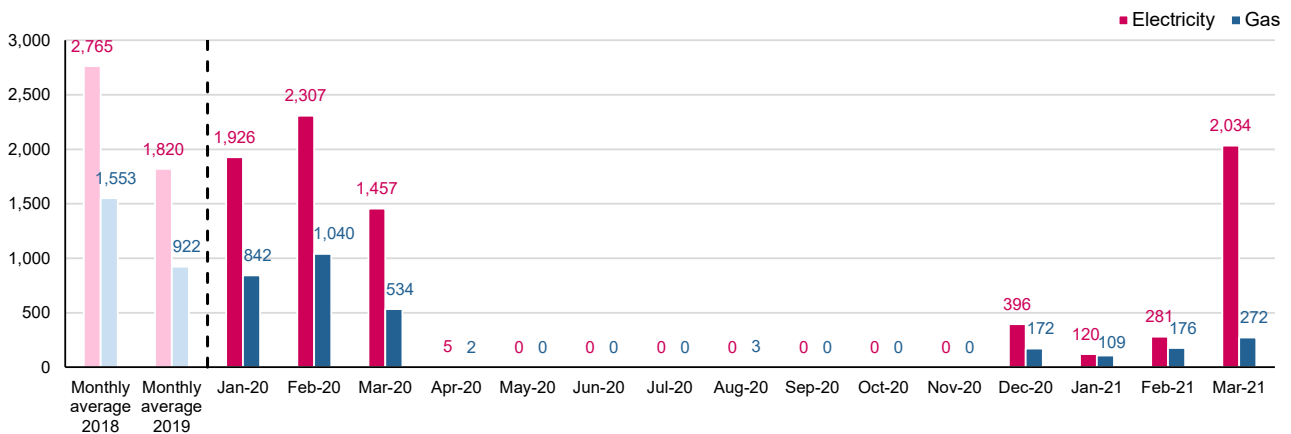
Between 30 March 2020 and 27 October 2020, the government introduced stay-at-home restrictions. During this time we extended customers' protections beyond what is in the Victorian energy rules. We also issued guidance to those in the energy industry to keep customers connected where there were health and safety concerns.

In March 2021, we advised energy retailers not to disconnect customers who had contacted them about an energy debt or to access support.

After the government eased restrictions on movement, disconnections for non-payment resumed between December 2020 and February 2021, but at lower levels compared to monthly averages in 2019.

However, in March 2021, the number of disconnections increased to a level higher than the monthly average in 2019, with 2,034 electricity and 272 gas residential customers being disconnected for non-payment (see Figure 7). Based on voluntary data to us reported by retailers, monthly disconnections also continued at similar levels in April and May 2021.

Figure 7: Residential disconnections for non-payment by month in 2020 and 2021



Source: Compliance and performance reporting guideline data collection

Now, more than ever, it's important for customers to engage with their retailers to receive payment assistance and retailers to work with their customers to help manage customers' energy debt.

Customers who have a payment arrangement with their retailer are protected from disconnection.



Disconnections for non-payment after March 2021

In addition to the quarterly performance data, energy retailers have continued to submit data voluntarily to enable us to monitor the impact of the coronavirus pandemic on customers.

Between April and May 2021, retailers continued to disconnect customers for non-payment:

- In April 2021, 1,745 electricity and 370 gas residential customers were disconnected.
- In May 2021, 1,739 electricity and 833 gas residential customers were disconnected.

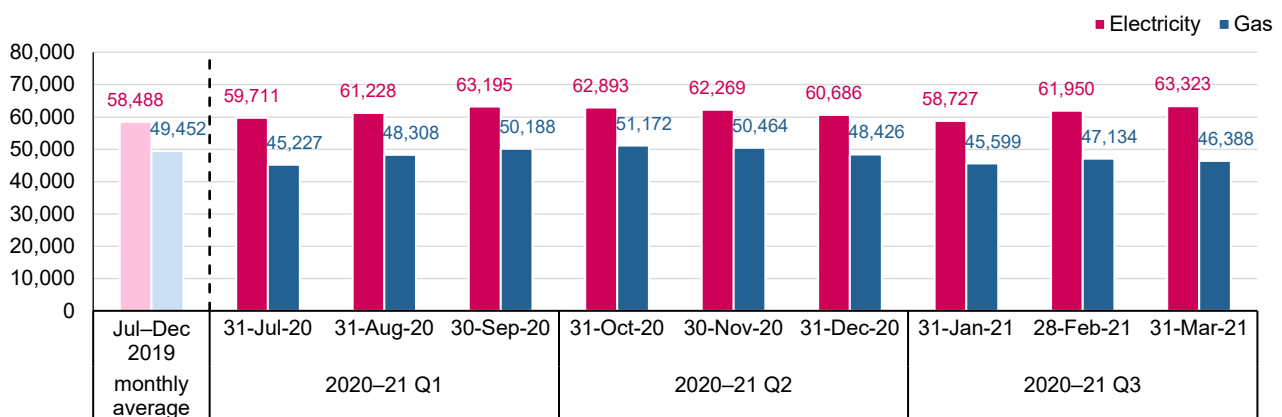
The figures in April and May 2021 indicate that disconnections for non-payment are at similar levels as the monthly average in 2019, although slightly lower.

We recently published our report, [A year in review: Supporting energy customers during the coronavirus pandemic](#), on supporting energy customers during the coronavirus pandemic. You can find this publication on our website.

Energy customers' debt continues to increase

At the end of March 2021, 63,323 electricity and 46,388 gas residential customers were receiving tailored assistance from their retailer to help pay their bills (see Figure 8). This figure is eight per cent higher for electricity customers and six per cent lower for gas customers, compared to the monthly average in 2019.

Figure 8: Residential customers receiving tailored assistance

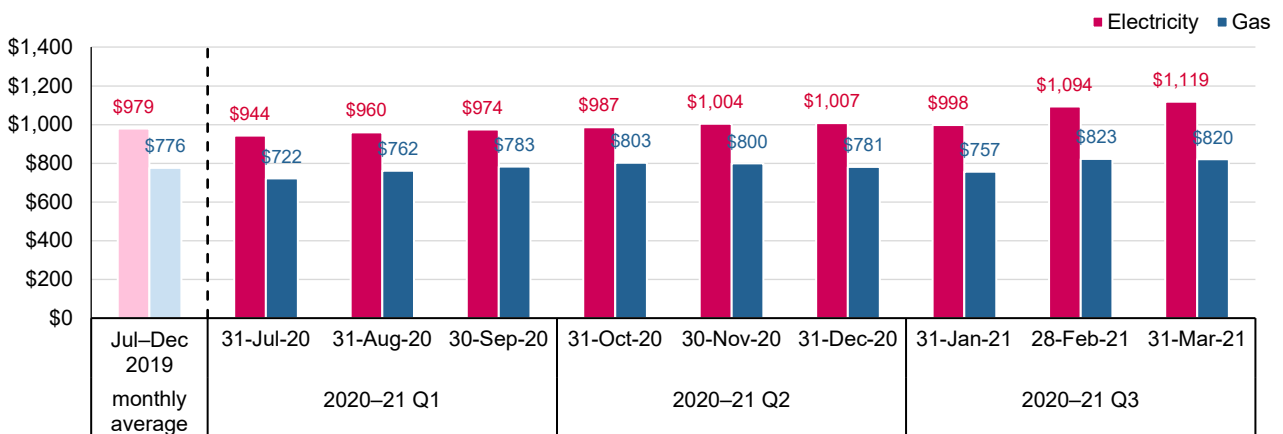


Source: Compliance and performance reporting guideline data collection

The number of customers receiving tailored assistance represents 2.43 per cent of all Victorian electricity customers and 2.28 per cent of all Victorian gas customers.

The average arrears of residential customers receiving tailored assistance continued to increase. At the end of March 2021, the average arrears increased by 14 per cent for electricity and 6 per cent for gas, compared to the monthly average in 2019 (see Figure 9).

Figure 9: Average arrears for residential customers receiving tailored assistance



Source: Compliance and performance reporting guideline data collection

Market entry and exit

Anyone generating, transmitting, supplying, or selling electricity or gas in Victoria must hold a licence from us (or be exempted from having one).

Number of operators and types of business models emerging

The Victorian energy market currently has 56 electricity and 29 gas retailers licensed to sell energy to residential and business customers.

We have seen retailers focus on different target markets such as:

- combining the selling of energy with the supply of appliances and equipment like solar PV systems
- focusing on particular customer groups, whether they are commercial customers or customers open to prices changing every hour of the day.

We have also noticed an increase in the number of brands under which licensed retailers are operating. We will monitor non-licence branding given the increasing number of these types of arrangements.

New and revoked licences

Between 1 January 2021 to 31 March 2021, we issued two new electricity retail licences to:

- Maximum Energy, an Adelaide-based company operating since 2013, which currently supplies and installs energy efficient and solar PV systems
- MTA Energy, which focuses on providing energy solutions for commercial and industrial businesses.

We also received eight licence applications – there were two electricity generators, four electricity retailers and two gas retailers.

In March 2021, by request of the licensees, we revoked the licence for Alcoa of Australia to generate electricity and the licence for AusNet Services as an electricity retailer.

Supporting customers when an embedded network operator fails

In May 2021, Veeve, an embedded network operator, went into liquidation. We were told that Veeve had not paid retailers supplying electricity to several apartments in Victoria, so customers were at risk of being disconnected. To reduce this risk we:

- contacted gate-meter retailers and requested sites not be disconnected

- ensured distributors contacted us about any disconnection requests
- explored options for those at sites who wanted to transfer to other retailers
- provided information for those at affected sites on how they could move their supply to the grid.

For possible future failures of embedded network operators, we will develop a public register of licensed retailers to be contacted as alternative operators. We will communicate this information to affected customers through peak bodies or owners' corporations.

The Victorian Government is also conducting a review into embedded networks to consider longer-term solutions to this issue.

Market entry and exit since April 2021



Since 31 March 2021, we have issued a new generation and sale licence to Victorian Big Battery, and a new electricity retail licence to Amber Electric. We also received an application from Telstra Energy (a subsidiary of Telstra Corporation) for a licence to sell electricity and gas in Victoria. This application is currently open for public consultation.

Enforcing the energy rules for Victorian customers

When we identify potential breaches of the energy rules by businesses, we act to protect customers and deter future non-compliance.

Our compliance and enforcement actions January to March 2021



75 penalty notices issued

\$1,125,000 in penalties paid by Alinta Energy



9 warning letters issued to energy businesses

515 customers' issues addressed through warning letters

7 matters referred to Consumer Affairs Victoria for potential breaches to Australian Consumer Law by energy retailers



144 direct responses to customer enquiries

49 direct responses to customer enquiries on embedded network issues, with the resolve of two cases referred to us by the Energy and Water Ombudsman Victoria



3 'Crack the code' sessions to educate the industry on implementing and following energy rules

1 roundtable for energy leaders

Alinta paid more than \$1 million in penalties

We issued penalty notices totalling \$1.125 million to Alinta Energy for allegedly placing conditions on customers before providing them with help to pay their energy bills.

Under Victoria's rules, energy retailers must offer help to customers having difficulty paying their bills without requiring them to disclose personal financial information. However, between October 2019 and March 2020, Alinta Energy told customers they had to contact a financial counsellor before offering a payment plan.

This requirement caused distress to a number of customers who were experiencing vulnerability. At least three expressed suicidal thoughts, others missed paying bills due to a death in the family, and many were anxious about threats of disconnection.

Alinta Energy eventually waived the debt for affected customers and updated its training for customer service staff to prevent it happening again.

Penalties paid after March 2021

Powershop paid penalties in April 2021 totalling \$300,000 for allegedly discriminating against Victorian households with rooftop solar. We found that Powershop, under its Kogan Energy brand, exclusively offered cheaper tariffs to its non-solar customers between 10 September 2019 and 7 April 2020.

Click Energy paid penalties totaling \$640,000 after an external sales agent allegedly faked customer details to sign them up without their consent. We issued 32 penalty notices to Click Energy after the sales contractor allegedly entered 20 customers' details into an online contract form without their permission in September 2020.

Compensation to customers who were wrongfully disconnected

If an energy retailer finds it wrongfully disconnected a customer, the retailer must report the breach to us and in most cases provide compensation to the customer.

Between January and March 2021, retailers reported they had wrongfully disconnected 251 customers, resulting in total compensation payments of \$272,607 (see Figure 10). Most of these disconnections were from two retailers: Origin Energy and Sumo.

Origin Energy reported it compensated 109 customers of which 93 were wrongfully disconnected for non-payment prior to March 2020. Origin Energy said it had not provided information about



payment assistance to these customers prior to disconnecting them. Of Origin Energy's remaining wrongful disconnections, 14 were due to incorrect dates applied and 2 were due to errors made when establishing new accounts.

Sumo reported compensating 122 customers, 121 of which were wrongfully disconnected on the last day of their disconnection warning notice in December 2020. The other wrongful disconnection was deemed wrongful by the Energy and Water Ombudsman Victoria due to a lack of sufficient account notes.

Figure 10: Compensation paid for self-reported wrongful disconnections

Retailer	Amount paid during the quarter			Customers affected		
	Jul. to Sep. 2020	Oct. to Dec. 2020	Jan. to Mar. 2021	Jul. to Sep. 2020	Oct. to Dec. 2020	Jan. to Mar. 2021
AGL	–	\$1,097	\$915	–	1	1
Energy Australia	\$488	\$13,844	\$892	1	2	4
Origin Energy	\$685	\$2,317	\$153,371	6	6	109
Lumo Energy	\$1,505	\$37	–	1	1	–
Red Energy	–	\$6,530	\$243	–	3	1
Simply Energy	\$7,435	\$631	\$981	5	3	1
Alinta Energy	\$5,145	\$44	–	7	1	–
Momentum	\$711	\$109	–	2	2	–
Powershop Australia	\$756	\$120	\$4,399	4	2	9
Tango (Pacific Hydro)	\$129	\$2,737	\$1,417	4	7	4
Sumo Power	\$68	–	\$110,389	2	–	122
Elysian Energy	–	\$156	–	–	1	–
Energy Locals	–	\$130	–	–	1	–
Total	\$16,922	\$27,751	\$272,607	32	30	251

Note: Figures may not add up precisely due to rounding. Data excludes wrongful disconnection disputes referred to us. Zero payments relate to cases resolved with no payment, whereas '–' means no wrongful disconnection. Payments relate to the timing of payments, rather than the time of disconnections. Data includes wrongful disconnections between August 2018 and March 2021.

Wrongful disconnection disputes referred by ombudsman

If a customer and their retailer cannot resolve a disconnection dispute, the customer may go to the Energy and Water Ombudsman Victoria for support. If the ombudsman and retailer are unable to resolve the issue, the matter may be referred to us.

We resolved one matter referred to us and determined the amount a customer should be compensated for a wrongful disconnection (see Figure 11).

Figure 11: Wrongful disconnection payment matter referred to the commission compensated between January and March

Retailer	Topic of dispute	Outcome	Total compensation amount
Momentum Energy Pty Ltd	Disconnection (from December 2019) was wrongful but the issue was around whether compensation should be capped in accordance with section 48 of the Gas Industry Act 2001.	Wrongful	\$3,500

Note: Figures are based on wrongful disconnection payment cases referred by the Energy and Water Ombudsman Victoria

Advice for supporting customers during the pandemic

On 26 March 2021, we extended temporary protections that supported customers through the coronavirus pandemic for a further three months until 30 June 2021.

These measures go beyond the existing energy rules and aim to protect customers in financial distress from disconnection when they contact their retailer about their debt. We did not expect retailers to refer customers to debt collection agencies during this time.

We also extended the temporary rules that require energy businesses to provide reasonable payment support to small businesses affected by the pandemic.

Best practice in debt collection industry forum

In May 2021, we hosted a forum with energy retailers to discuss debt collection. The forum included presentations from the Australian Competition and Consumer Commission, Consumer Affairs Victoria, and the Energy and Water Ombudsman Victoria.

We are looking for practical ways to support consumers who are experiencing vulnerability and financial hardship arising from the coronavirus pandemic.



Two retailers failed to send best offers

Under the energy rules, retailers must include a message on customers' energy bills stating whether they are on the retailer's best offer, or the amount the customer could save by switching to a cheaper plan.

We worked with two retailers, Tas Gas and Momentum, to develop a remediation plan so that customers did not miss out on savings they could have received if they were sent the correct message about a better offer available.

As a result, the retailers refunded a total of \$4,876 to 37 customers.

Recent changes to the energy rules

We make sure the rules and regulations in the energy industry promote the long-term interests of consumers.

Feed-in tariff notifications

In February 2021, we published a final decision that requires retailers to notify their solar customers of changes to feed-in-tariff rates at least five business days before the changes take place. This new rule came into effect on 1 June 2021, and aims to ensure a fair and common approach across retailers to notify solar customers about changes to feed-in tariff rates.

Improving the timeliness of electricity connections

In March 2021, we published a final decision on timely negotiated electricity connections. The aim of this decision is to improve the timeliness of negotiated connections of new residential developments in greenfield areas. Distributors will be required to report on their performance to us against a customer service standard every six months for the next two years.

New performance indicators for electricity distributors

We have been reviewing the energy compliance and performance reporting guideline to ensure it aligns with regulatory reforms implemented over 2020.

In April 2021, we published a final decision on new performance indicators for electricity distributors. From 1 July 2021, distributors will be required to report on the new indicators found in the guideline.

We are conducting a wider review of breach reporting requirements and will update stakeholders on the timings for changes to the guideline in due course.



Coronavirus pandemic support

In March 2021, we wrote to gas and electricity retailers and distributors updating our advice on disconnection practices during the coronavirus pandemic. We also extended the temporary support measures set out in our August 2020 final decision. This means that, until 30 June 2021, retailers are expected to offer tariff checks for all residential customers receiving tailored assistance, and provide small businesses experiencing financial stress with reasonable assistance.

Customer protections in the electricity distribution code

We introduced new rules to improve the customer protection framework for planned electricity interruptions and distributor service-level payments.

From 1 January 2021, the ability for distributors to interrupt a customer's supply with less than four business days' notice subject to consent requirements came into effect.

Since July 2019, retailers are required to notify customers of changes that will affect the customer's bill. There are several bill changes that customers may face from August 2021, including changes to customers who have rates that vary during the time of the day (known as time-of-use tariffs), including the ability to opt-out.

To reduce the likelihood of confusing customers, we have communicated with retailers to streamline bill change notices where possible. We are expecting a single notice to be sent to customers advising them of all the relevant bill changes and the ability to opt-out of the time-of-use tariff changes.

Changes after March 2021

From 1 April 2021, new obligations will be placed on electricity retailers to provide better customer information to distributors.

The new requirements for planned-outage communication and the guaranteed service-level scheme will come into effect from 1 July 2021.



It's your energy Victoria

Following the introduction of the biggest reforms to Victoria's energy market in a decade, we undertook a series of campaigns to empower and educate Victorians to make informed decisions about their energy.

Research has demonstrated the three 'It's your energy' campaigns were a successful first step in building awareness of energy consumers' rights in Victoria. The campaigns produced solid and measurable responses to the main call to action: call your retailer to seek further information.

Survey results

Survey results show the 'It's your energy' campaigns:

- increased awareness about energy rights and where people could go to get more information
- produced consistent results for prompting action including information seeking (32–37 per cent) and contacting the retailer (53–58 per cent).

Know your rights

Know your rights and call your energy retailer to seek further information about an issue you are having.



Further consumer research

While the survey results show the campaigns were effective in raising awareness and prompting action in the general population, results were mixed among customers who said they struggle to pay their bills.

Consumer research on issues in energy is currently underway to discover what messages and channels are most likely to be effective in reaching these consumers. Our research will feed into future campaigns as well as our industry education and reform work.

Figure 12: One of the advertisements featured in the 'It's your energy' campaign series



Getting to fair: Removing barriers to essential services

In a national first for a regulator, we released a draft strategy in May aimed at breaking down the barriers many face in accessing essential services.

In 'Getting to fair: Breaking down the barriers to essential services', the commission looked at the challenges many Victorians have in accessing clean drinking water, affordable lighting and heating, sustainable council rates, and energy efficient products.

After months of engaging with experts and regular Victorians alike, we came to the conclusion that vulnerability is something a person may experience, but it's not who they are.

What is vulnerability?

At its launch, Chairperson Kate Symons said working on the strategy during the first truly global pandemic in more than a century highlighted the need for our society to better understand vulnerability.

Losing your job, having an unexpected illness, experiencing a natural disaster, being in a pandemic, ageing, or having failing mental health or a disability are all things that can happen to you, but they don't define you.

Kate Symons, Chairperson, Essential Services Commission

Goals of the strategy

The draft strategy has goals ranging from improving how customers are communicated to about essential services to boosting trust to empower consumers and improving processes to better identify consumers who need help.

The strategy also includes a commitment to developing a reconciliation action plan for First Nations communities.

If we've learned anything over the past year, it's that vulnerability is something that can happen to anyone at any time. It's not something you are.

Kate Symons, Chairperson, Essential Services Commission



The final strategy will go to the commission for approval in July, after six weeks of consultation, a public forum and a series of sector-specific workshops.