

VICTORIA VOTES 2018

ENERGY PRICES MATTER

Make it fair and affordable

Keeping the lights on is a daily struggle for many Victorian families. There is a better way to keep households connected to gas and electricity in the face of exploding prices and apathetic retailers. Consumer Action has put forward this platform of reform to give power back to families.



Every week Consumer Action's financial counsellors hear from Victorians struggling to pay the bills, often at real risk of disconnection from their energy supply. The system is broken. Rising costs are posing a fundamental risk to the health and safety of Victorian families.

Harsh late payment fees hide behind confusing, meaningless discounts. Inflexible, poorly managed and hard to access hardship policies and programs have created an environment that is extremely difficult for people to navigate. Retail competition has failed to deliver downward pressure on prices in the energy market. It is now time for politicians to step in and commit to stopping the rip-offs, to halt escalating debt and disconnection.

Victorians households deserve better.

The Victorian Government, through the Essential Services Commission, has proposed some important reforms to ensure retailers provide appropriate assistance to those experiencing financial difficulty. This new framework will come into place from January 2019. It is a welcome reform - but we need to go further.

Consumer Action has identified three practical measures for law-makers to make electricity and gas fairer and more affordable for all Victorians.

Gerard Brody, CEO Consumer Action Law Centre

1. Introduce a fair price guarantee for electricity and gas

Last years' independent and bipartisan review of Victoria's retail energy market proposed a "Basic Service Offer" as its headline reform, designed to rein in runaway retail energy charges. The Basic Service Offer would be a 'no frills' product required to be offered by all retailers to all consumers, priced at an amount set by the independent regulator, stripped of unnecessary retail costs and hefty profit margins.

This would guarantee access to a fair price for energy, for all Victorian consumers. A well designed Basic Service Offer could save Victorian household hundreds of dollars a year. These savings would benefit everyone, especially those on low incomes.

A Basic Service Offer still leaves sufficient room for genuinely innovative retailers to provide alternative offers, while providing a fair price guarantee. Discounts would be clearer and fairer because there will be a standard rate from which the discount applies. At the same time, people who don't have the time or ability to consider all their options could choose the offer and know that they aren't being gouged for an essential service.

A Basic Service Offer would provide Victorians with a guaranteed "rip-off free" price for the essential services of electricity and gas.

2. Increase the URGs cap and improve access

The Utility Relief Grant Scheme (URGS) has been in place in Victoria for over 20 years and plays a valuable role, supporting vulnerable households at risk of accumulating energy debts. Over that period, energy and water prices have increased faster than CPI, while the value of URGS has remained unchanged - seriously limiting its usefulness. The price cap of the URGS (based on the balance owing at the time of the application) has been capped at six months of usage, up to a maximum of \$500 - since 2010. We recommend immediately raising the URGs cap to \$750 to reflect price movements since 2010, and for the cap to be reviewed annually to ensure it keeps pace with price rises.

The URGs application process is paper based and clumsy, despite the Victorian Government moving services online as part of its digital first strategy. Energy retailers receive \$37.50 for every form they send to a customer. In the 2016-17 financial year energy retailers sent 66,609 application forms to potential URGs recipients. Over half of these (33,665) were not returned by customers to DHHS. This means energy retailers received \$1.26 million for no social benefit. This could have provided at least 2,524 families with energy debt relief, yet was instead given to private business.

By streamlining the application process, we can reduce inefficiencies and make URGs work for Victorians again. This long overdue reform would be good for vulnerable Victorians, good for government, and good for retailers.

Victorians want energy action now



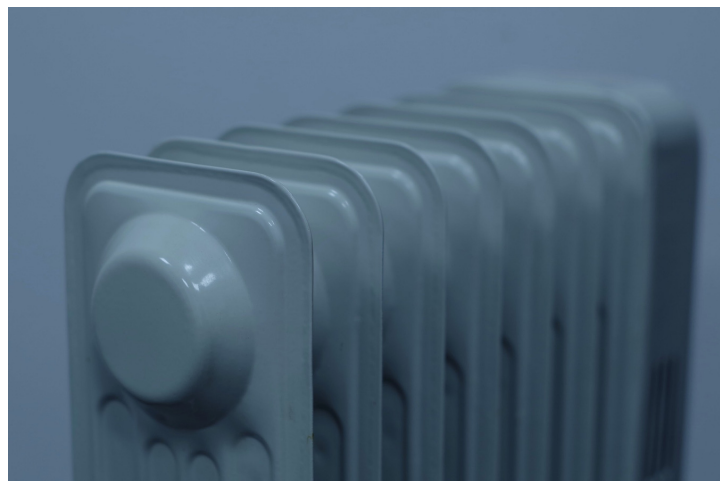
88.6% of Victorians are concerned about the cost of their electricity bill. Almost 6 in 10 (58.4%) are extremely concerned

Less than 3 in 10 (27.9%) Victorians trust their electricity retailer to act in their best interest

66.5% of Victorians back the "Basic Service Offer" as recommended by the bi-partisan Review of Electricity and Gas Retail Markets in Victoria

Only 3 in 10 Victorians (29%) think that energy retailers should retain their power to disconnect a household from electricity or gas.

ReachTel conducted a survey of 1,124 residents across the state of Victoria on 29 January 2017



3. Take disconnections out of the hands of retailers

In 2016/17, 28,628 Victorian households had their electricity disconnected, and 17,494 households were disconnected from gas. The impact of disconnection is severe. Families are unable to cook meals, keep food fresh or even charge a phone. And with the implementation of smart meters, retailers can remotely disconnect services - from a comfortable distance which shields them from the human impact of their decision.

To minimise the possibility of an unfair disconnection, Consumer Action proposes the creation of a new agency, which we call Connections Victoria.

Connections Victoria would use home visits to establish whether disconnection is justified, before an energy supplier can remotely "flick the switch". A Connections Victoria officer would assess individual circumstances and provide an independent assessment of the impact that disconnection will have on that household, to protect vulnerable Victorians from unjustified disconnection.

It is critical that energy, an essential service, is not cut off without a proper assessment of the impact the action will have.

