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We welcome the opportunity to provide this input.

# VCOSS joint submission responding to the Victorian Default Offer 2026-27 draft decision

## Executive Summary

The Victorian Council of Social Service (VCOSS), community services sector organisations, and energy consumer advocates welcome the draft decision by the Essential Services Commission (ESC) to reduce the cost of the Victorian Default Offer (VDO) for electricity by three per cent on average across the state. Any reduction in the cost of an essential service like electricity will bring welcome relief to many consumers in the context of high cost of living.

We hope that this reduction will carry forward to the final decision. However, we are concerned that updated data feeding into the final decision, including network costs, may negate savings from lower environmental costs.

It is important to emphasise that the VDO increased by 25 per cent in 2023–24, and reductions since then have not brought costs down to prior levels. We are now entering a period of further economic uncertainty, when costs may rise again. As such, more work is needed by industry and policymakers to make sure Victorians can get their energy needs met.

In the context of uncertain economic times, members of the community sector and energy consumer advocates wish to re-emphasise our continued strong support for the operation and ongoing review of the VDO. The VDO is a key regulatory safeguard for customers that find themselves on a standing offer, as a benchmark for a reasonable plan and efficient price in the market, and a crucial price cap for customers in embedded networks. VCOSS welcomes the ESC's role as economic regulator in reviewing VDO and supports the approach that has been carried through to setting the 2026-27 draft price.

In this submission, we will provide insights on the emerging impacts of the current fuel supply crisis, with specific reference to implications for the VDO and energy policy and regulation, and provide responses to the Victorian Government’s announcement of a Midday Power Saver offer.

This is a joint submission made by the Victorian Council of Social Service (VCOSS), Community Information and Support Victoria, Consumer Action Law Centre, Council on the Ageing Victoria and Seniors Rights Victoria, Energy Consumers Australia, Financial Counselling Victoria, Uniting Vic Tas, and Westjustice. This group brings a deep knowledge of people's experiences navigating the Victorian electricity market and the impacts of energy hardship and poverty. Collectively, we work towards a Victoria free from all forms of hardship, where everybody can experience genuine wellbeing.

## Signatories



## Emerging impacts of the fuel supply crisis on electricity customers and the community sector

The review of the VDO for 2026-27 occurs in the context of rising cost of living brought on by an international fuel crisis. The current crisis appears to be more severe and potentially more protracted than the inflationary period that followed the 2022 Russian invasion of Ukraine which led to the large jump in the VDO price in 2023-24. VCOSS understands that the current fuel crisis will not immediately flow through to electricity wholesale price spikes, but the

impact will nonetheless be felt by vulnerable households and the community service providers that support them.

Higher fuel costs will push those who have been getting by paycheque to paycheque into financial stress. For cohorts that have been living on low and fixed incomes long-term, who already did not have sufficient income to cover expenses, this crisis will be the latest in a series of inflationary periods over several years pushing them deeper into entrenched poverty.

For all households impacted by higher fuel costs, the ability to pay for essentials like electricity will be constrained. Already, VCOSS member organisations are reporting increased demand for financial counselling services and food relief support. There is also deep concern among community sector organisations about the impact of likely locked-in higher costs for other essentials in the coming weeks and months. In particular, community service organisations are anticipating households will struggle with food security. In this context, the rates of payment difficulty will increase among energy customers due to other cost pressures, even if energy costs remain stable or slightly decrease.

The nature of the crisis is also putting strain on the community and social service sector that supports people with things like electricity costs. Currently, the impacts of high fuel costs are falling primarily on rural and regional services. Organisations that rely on volunteers and / or fleet vehicles to operate are acutely impacted. Current challenges include increased costs for:

- Staff and volunteers attending work
- Clients attending appointments
- Fleet car operation and work travel

These impacts will constrain the sector's ability to support people in payment difficulty, as well as clients' capacity to attend services if they do so in-person.

In this context, as we have in previous submissions, we encourage the ESC to consider the costs of pricing decisions holistically, and to centre the consumer in decisions, rather than businesses. For example, in setting the retail margin. This is especially important for vulnerable and low-income households, for whom costs and benefits are a required consideration for the ESC, under the Commission's statutory obligations.

Although outside the scope of the VDO review, we anticipate that future cost of living impacts from the crisis will be severe enough to necessitate reviving Covid-era measures to reduce disconnections and debt collection activity by energy retailers. We hope that governments, regulators, retailers, and the community sector can work cooperatively on these measures to support households through the crisis.

Finally, we strongly emphasise the continued need for targeted supports to help households afford essential energy in the context of continued financial shocks caused by volatile global

forces. This includes the need to consider a targeted social tariff for consumers who cannot afford to pay for ongoing costs of essential energy.

## Response to the announcement of the Midday Power Saver

While VCOSS previously provided feedback on the concept of a free power period in the first round of consultation for this review, we note that with the Government's announcement of a Midday Power Saver, there is now additional detail on what we can expect from this policy.

The Victorian Government's Midday Power Saver is a welcome initiative to help Victorians save money on their power bills. There are many Victorians who will benefit from this initiative, including students, older Victorians, and people currently unemployed who can use appliances in the middle of the day. By encouraging consumers to use electricity in the middle of the day when there is plenty of solar power available, the scheme will also work to reduce pressure on the electricity grid at other times of day which, if regulated effectively, could benefit all energy users.

However, as explained in our previous submission, there are many Victorians struggling with energy bills that cannot shift their energy usage to the middle of the day. This includes people in poorer quality housing, especially renters, and people who cannot avoid using appliances at evening peak times, such as carers. It is important these Victorians are supported to reduce their energy costs as well.

Free power periods cannot replace targeted measures to create affordable energy pricing, so that all Victorians have access to essential electricity when they need it. We continue to believe that more targeted and intensive support measures like a social tariff for energy, and subsidies for energy efficiency upgrades in poor quality housing will be more successful in creating energy equity.

Finally, VCOSS understands that the ESC will play a critical role in regulating the Midday Power Saver, and that there will be safeguards in place to ensure consumers are well informed about potential costs or savings, before opting into the offer. We concur with the ESC in the draft decision paper that provisions already embedded in the Energy Retail Code of Practice, such as requirements for retailers to give clear advice and information to consumers before sign-up, will provide consumer safeguards for the proposed Midday Power Saver.

We look forward to hearing more details on the Midday Power Saver offer in May, including time periods and prices. Ahead of its commencement in October, we strongly recommend that there be robust consultation with stakeholders on what additional regulatory guardrails will be necessary. Examples of additional protections that may be required include:

- A limited price guarantee to protect customers who take up the free power period but are unable to sufficiently shift their load to achieve savings. This safeguard should ensure that a customer on a Midday Power Saver offer does not pay more than they would have on the VDO.
- Prevention of cost-shifting to ensure that the costs associated with the free period are not simply shifted into peak and shoulder periods or onto fixed daily supply charges, as doing so would mean customers who cannot shift a large portion of their usage to the midday period could end up worse off.
- Data-driven transparency requiring reference price comparisons and disclosures to clearly explain a customer's likely billing outcomes based on their actual historical consumption data, rather than generic estimates.

## Recommendations

1. Maintain the VDO as a crucial safeguard for consumers who cannot engage with the market, and as a price cap for embedded networks.
2. Embed a holistic understanding of the cost of living in all determinations, and consider the impact of decisions on vulnerable customers, as per the ESC's statutory obligations. For example, when setting the retail margin portion of the cost stack.
3. Consult with consumer advocates on what additional regulatory safeguards will be necessary for the Midday Power Saver.
4. Examine mechanisms that complement the VDO to create real affordability for low-income households trying to afford an essential service, such as a targeted social tariff for those most in need.