

Victorian Default Offer - Final Orders

Explanatory Statement



Acknowledgment

We acknowledge and respect Victorian Traditional Owners as the original custodians of Victoria's land and waters, their unique ability to care for Country and deep spiritual connection to it. We honour Elders past and present whose knowledge and wisdom has ensured the continuation of culture and traditional practices.

We are committed to genuinely partner, and meaningfully engage, with Victoria's Traditional Owners and Aboriginal communities to support the protection of Country, the maintenance of spiritual and cultural practices and their broader aspirations in the 21st century and beyond.



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Introduction

The Victorian Government is implementing the Victorian Default Offer (VDO) – a regulated, fair price for electricity that will replace costly standing offers from 1 July 2019.

On 30 May 2019, the Government published three Orders relating to implementation of the VDO. The main instrument to implement the VDO is an Order in Council under section 13 of the *Electricity Industry Act 2000* (EIA) regulating tariffs for the sale of electricity to prescribed customers (the section 13 Order).

The following related Orders have also been made:

- A Ministerial Order under section 35(3B) of the EIA (the section 35(3B) Order) providing retailers until 17 June 2019 to vary their standing offer tariffs to comply with the VDO.
- An Order under section 17 of the EIA (the section 17 Order) amending the General Exemption Order¹ to ‘freeze’ the current maximum price at which exempt persons (which include exempt suppliers through embedded networks) may sell or supply electricity, until the Essential Services Commission (ESC) has formulated a new maximum price for exempt persons. The ESC will commence work on formulating a new maximum price later this year.

The Department of Environment, Land, Water and Planning (DELWP) published and sought stakeholder views on drafts of the section 13 Order and section 35(3B) Order. This Explanatory Statement summarises the responses to the consultation and the Government’s final decisions in relation to the orders.

1.1 What is the Victorian Default Offer (VDO)?

The VDO is a fair price for electricity that all Victorian licensed electricity retailers will be required to offer to households and small businesses from 1 July 2019. The VDO will replace costly standing offers.

The introduction of the VDO was a key commitment made in the Government’s final response to the *Independent Review of the Electricity and Gas Retail Markets in Victoria* (the Review), released on 26 October 2018.

1.2 Background to the Review

In November 2016 the Victorian Government announced the Review to examine the operation of Victoria’s electricity and gas retail markets and provide options to improve outcomes for consumers. The Review panel comprised Professor John Thwaites, Ms Patricia Faulkner AO and Mr Terry Mulder.

On 13 August 2017, the Review panel handed down its final report to the Minister. The Review panel concluded that strong intervention is required to ensure better outcomes for consumers. In total, the panel made 11 recommendations designed to make Victoria’s retail energy markets fair.²

Recommendations 1A and 2A of the Review proposed the introduction of a Basic Service Offer – a basic, ‘no frills’ unconditional offer, available if requested by a customer. The Government’s response to these recommendations was to require electricity retailers to offer a fair price for electricity – to be called the VDO – to replace costly standing offers. Unlike the Basic Service Offer recommended by the Review, the VDO includes a modest allowance for customer acquisition and retention costs (CARC).

The Essential Services Commission (ESC) was issued terms of reference in December 2018 asking it to provide advice on a methodology and price for the VDO. The ESC published draft advice on 8 March 2019³ and provided its final advice to Government on 3 May 2019.⁴

1.3 The final Orders

The section 13 Order is the primary instrument that will give effect to the VDO. In particular, the Order will:

- from 1 July 2019 to 31 December 2019 – require retailers to offer the VDO at the tariffs listed in Schedule 1 and Schedule 2 of the Order, which are based on the ESC’s final advice to Government;

1. The General Exemption Order, published in the Government Gazette No. S 390 on 15 November 2017, exempts certain persons from the requirement to hold a licence under the *Electricity Industry Act 2000* and sets out the conditions of that exemption.

2. Review panel 2017, *Independent Review of the Electricity & Gas Retail Markets in Victoria*, August, pp. xi – xiii.

3. The Government issued Terms of Reference to the ESC in December 2018 requesting it to provide advice under section 10(g) of the *Essential Services Commission Act 2001* (ESC Act) to support the making of tariffs for this period. The ESC published draft advice on 8 March 2019 and is required to provide its final advice to Government by 3 May 2019.

4. Available at <https://www.energy.vic.gov.au/about-energy/policy-and-strategy>.

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- from 1 January 2020 onwards – enable the ESC to directly determine prices for the VDO by making a price determination under the *Essential Services Commission Act 2001*; and
- require retailers to use the VDO as the reference price for any discounted market offers.

Retailers are required to vary their standing offer tariffs (by notice published in the Government Gazette) in order to comply with the VDO. The section 35(3B) Order allows retailers until 17 June 2019 to do so. The Order also provides that for the next VDO (to apply from 1 January 2020) retailers will similarly be able to gazette tariffs up to two weeks before they take effect.

2. How will the VDO work?

Timeline

30 May 2019	Section 13 Order published, including the VDO tariffs to take effect from 1 July 2019 (Schedules 1 and 2).
By 17 June 2019	Retailers must gazette standing offer tariffs that comply with the VDO. These tariffs must include the VDO tariffs specified in Schedules 1 and 2 of the section 13 Order. The VDO tariffs are flat tariffs (and for domestic customers, both flat tariffs and flat tariffs with a controlled load tariff). If retailers propose to vary any other standing offer tariffs that are not subject to the VDO, these must also be gazetted by 17 June 2019.
From 1 July 2019	The VDO will become available to domestic and small business customers. Customers who are currently on a standing offer that is subject to the VDO will automatically be on the VDO from 1 July 2019. Other customers may ask their retailer for the VDO. Customers without an existing retailer can access the VDO from their 'designated retailer' (see Q&As no. 9).
By 25 November 2019	The ESC is required to make a price determination for the VDO to apply from 1 January 2020. All standing offer tariffs (including both flat and non-flat tariffs) will be required to comply with this price determination.
By 18 December 2019	Retailers must gazette standing offer tariffs that comply with the ESC's VDO price determination.
1 January 2020	New VDO tariffs to take effect.
By 30 May 2022	Victorian Government undertakes review of the operation of the section 13 Order.

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Questions and Answers

1. What is the VDO?

The VDO is a fair price for electricity that all Victorian electricity retailers will be required to offer to households and small businesses from 1 July 2019. The VDO will replace costly standing offers.

The introduction of the VDO was a key commitment made in the Government's final response to the Review, released on 26 October 2018.

2. What are the VDO tariffs to be in effect from 1 July 2019?

The VDO tariffs to apply from 1 July 2019 are set out below. These tariffs – which are based on the ESC's final advice to Government – include a flat tariff for each distribution zone in Victoria, comprising a daily supply charge and a per kWh usage charge. For domestic customers, the tariffs also include a controlled load tariff available to customers with a controlled load.

Domestic customers

Distribution zone	Supply charge (\$ Per Day)	Usage charge Structure	Usage charge (\$ Per kWh)	Usage charge: Controlled load (\$ per kWh)
AusNet Services	\$1.1368	Block 1 (up to 1020 kWh/quarter) Block 2 (>1020 kWh/quarter)	\$0.2763 \$0.3113	\$0.2024
CitiPower	\$1.1055	Anytime	\$0.2325	\$0.1809
Jemena	\$1.0037	Anytime	\$0.2547	\$0.1917 ⁵
Powercor	\$1.2333	Anytime	\$0.2403	\$0.1831 ⁵
United Energy	\$0.9115	Anytime	\$0.2620	\$0.1873

Small business customers

Distribution zone	Supply charge (\$ Per Day)	Usage charge Structure	Usage charge (\$ Per kWh)
AusNet Services	\$1.1368	Block 1 (up to 1020 kWh/quarter) Block 2 (>1020 kWh/quarter)	\$0.3154 \$0.3605
CitiPower	\$1.2972	Anytime	\$0.2464
Jemena	\$1.1450	Anytime	\$0.2682
Powercor	\$1.3611	Anytime	\$0.2394
United Energy	\$0.9691	Anytime	\$0.2717

3. How much will a customer save from moving onto the VDO?

A typical household on a standing offer and using 4,000 kWh of electricity per year would see a reduction in their electricity bill of between \$310 and \$450 per year, compared to the median standing offer in their distribution zone.

A typical small business on a standing offer and using 20,000 kWh of electricity per year would see a reduction in their annual electricity bills of between \$1,380 and \$2,050, when compared with the median standing offer in their distribution zone.

4. Why is the final VDO price higher than the ESC's draft advice?

The ESC released its draft advice on the VDO on 8 March 2019, and undertook further consultation with stakeholders following the release of its draft advice.

⁵ These tariffs have been updated to reflect a correction to the ESC's final advice made on 31 May 2019.

The differences in price from the ESC draft advice are mainly explained by movements in market data and changes in the ESC's approach to wholesale and retail costs, reflecting stakeholder feedback.

5. Who is able to access the VDO?

From 1 July 2019, all Victorian households and small businesses will be able to access the VDO, except for customers in embedded networks (see **Q&As 11 to 13**).

Customers who are currently on standing offers that are subject to the VDO will automatically be on the VDO from 1 July 2019 – they will not need to do anything. Other customers may contact their retailer if they want to access the VDO.

Customers are still encouraged to shop around for the best deal, including by visiting the Victorian Energy Compare website (<https://compare.energy.vic.gov.au/>).

6. Who will automatically be on the VDO on 1 July 2019?

On 1 July 2019 all Victorian domestic and small business consumers on flat tariff standing offers will automatically be on the VDO – they will not need to do anything.

This means approximately 130,000 households and 30,000 small businesses will automatically be on the new VDO tariffs from 1 July 2019.

7. How can other customers access the VDO from 1 July 2019?

From 1 July 2019 Victorian domestic and small business customers can contact their retailer if they wish to access the VDO (other than customers in embedded networks). Customers are still encouraged to shop around for the best deal, including by visiting the Victorian Energy Compare website (<https://compare.energy.vic.gov.au/>).

8. Will standing offer customers who are not on flat tariffs automatically be on the VDO on 1 July 2019?

No. The VDO to apply from 1 July 2019 will only apply to flat tariff standing offers. Customers on other types of standing offers (such as flexible or 'time of use' tariffs) will not automatically be on the VDO on 1 July 2019. However, these customers can still access the VDO by contacting their retailer.

From 1 January 2020, all standing offers – whether they are flat tariffs or not – will be covered by the VDO. From this date, all standing offer customers will be on the VDO unless they move to a market offer.

9. How can customers who do not currently have a retailer access the VDO from 1 July 2019?

Domestic or small businesses without a retailer (other than those in embedded networks) can access the VDO from their 'designated retailer'. The designated retailer is:

- for people moving into an existing premises – the retailer who serviced that property prior to the new occupant moving in; or
- for people moving into a new property (for example a newly built house) – the 'local' retailer. The 'local' retailer by distribution zone is:
 - AGL in Jemena and United Energy,
 - Origin in CitiPower and Powercor;
 - Energy Australia in AusNet Services.

If a customer is not sure who their designated retailer is, they should contact their distributor.

10. Does the VDO change Victoria's 'obligation to supply' arrangements?

No. Under Victoria's 'obligation to supply' arrangements, customers will be able to access the VDO from their existing retailer or, if they don't have an existing retailer, from their 'designated retailer' (see **Q&A 9**).

However, the Victorian government's view is that energy is an essential service and the Victorian government expects retailers to make every effort to supply the VDO to any customer who requests it from 1 July 2019.

The government will be monitoring any circumstances in which retailers refuse to supply the VDO to consumers. In the event that the government becomes aware of circumstances in which retailers are

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unreasonably failing to supply the VDO to consumers, the government will move to strengthen Victoria's obligation to supply arrangements.

11. What is an embedded network?

A person living in an apartment complex, retirement home, or caravan park, or a tenant in a shopping centre, may be receiving their electricity via an embedded network.

The government recently changed the rules to provide Victorians in embedded networks with consumer protections comparable to other Victorian electricity consumers. This included, from 1 July 2018, ensuring that customers in embedded networks could get help from the Energy and Water Ombudsman.

The government has committed to a legislative ban on embedded networks in residential apartment blocks, which too often lock in high costs on consumers.

12. Why can't consumers in embedded networks access the VDO?

Customers in embedded networks usually get their electricity from 'exempt retailers' who are exempt from holding a retail licence under the Electricity Industry Act. Unlike licensed retailers, exempt retailers are not required to offer standing offers or the VDO to customers. However, exempt retailers may not charge customers more than the maximum price determined under the General Exemption Order.

Several stakeholders made submissions concerning the potential application of the VDO to embedded networks as part of consultation on the ESC's draft advice and on the draft Orders. Some stakeholders were supportive of the VDO applying as the maximum price in embedded networks, while others considered that the application of the VDO as the maximum price in embedded networks should be delayed to enable the issue to be specifically considered.

Accordingly, the government has decided to defer the application of the VDO as a maximum price for embedded networks to enable further consideration of the appropriate maximum price and of suitable retailer of last resort arrangements. Amendments to the General Exemption Order have been made to effectively 'freeze' the maximum price at the current local retailer standing offer rates, until the ESC formulates a new maximum price for embedded networks.

13. What is the Victorian government doing to improve consumer outcomes for Victorians living in embedded networks?

To ensure Victorians living in embedded networks have access to a fair price for electricity, the ESC will, later this year, commence work to formulate a maximum price to apply in embedded networks, for implementation on or before 1 July 2020.

Government and the ESC will also consider whether other relevant consumer protections, such as retailer of last resort arrangements, should also be strengthened for embedded networks.

14. Are retailers required to tell customers about the VDO?

Yes. From 1 October 2019, retailers are required to include information on a customer's bill about how the customer can access the VDO.

Additionally, from 1 July 2019 retailers are required to inform customers of the retailer's best offer for that customer. This could be the VDO or a better market offer.

15. How will the government ensure that retailers comply with their obligations regarding the VDO?

The ESC is responsible for ensuring compliance with the VDO. The ESC will outline its compliance plan with stakeholders prior to the implementation of the VDO on 1 July 2019.

If a consumer has a dispute with their retailer about the VDO, they can first complain to the Energy and Water Ombudsman Victoria.

Consumers can make a complaint by phone, online, by email or fax or in writing.

The phone number is 1800 500 509 (freecall), or fax is 1800 500 549 (freefax). The address to write to is:

Reply Paid 469
Melbourne VIC 8060
(EWOV accepts letters in Braille)

16. Can solar customers opt-in to the VDO from 1 July 2019?

Yes, other than solar customers living in a premises served by an embedded network.

To access the VDO from 1 July, a consumer should request it from their existing retailer.

17. Will the VDO be used as a 'reference price' for discounted offers?

Yes. Retailers that advertise discounted offers will be required to use the VDO as a 'reference price'. Retailers will need to state (in dollar or percentage terms) how the discounted offer compares to the estimated annual cost of the VDO. This will end the current confusing practice of retailers offering unanchored discounts that may appear more generous than they actually are.

18. What about advertising discounts for market offers with non-flat tariffs?

Retailers will still be required to use the VDO as a 'reference price' even where the discounted market offer being advertised is not a flat tariff offer. Schedule 3 of the section 13 Order sets out how retailers are to do this. The approach has been designed to provide a simple and consistent methodology for the purposes of comparing offers in the market.

In the longer-term, the requirements relating to discounting will be included in the Energy Retail Code. The section 13 Order requires the ESC to make amendments to the Energy Retail Code as soon as practicable to achieve this. Stakeholders will be consulted as part of the ESC's process to make these amendments.

3. Amendments to the draft section 13 Order

The following sections outline key aspects of the section 13 Order and summarises the stakeholder feedback received and key amendments made to the section 13 Order following consultation.

3.1 Objective of the VDO

Approach in draft section 13 Order

The objective of the VDO in the draft section 13 Order was to: *"...provide a simple, trusted and reasonably priced electricity option that safeguards consumers unable or unwilling to engage in the electricity retail market."*

Stakeholder submissions on the consultation paper

Some retailers submitted that the objective of clause 3 did not consider the impact on the competitive market. Additionally, one retailer also noted that the Australian Energy Market Agreement requires that price regulation in the competitive market should not hinder the further development of competition.

Submissions from consumer groups suggested that the objective should refer to 'efficiently priced' electricity, rather than 'reasonably priced' electricity, as an efficient price is to be determined by the ESC under clause 11.

Government's final position

The government considers that the objectives as set out in the draft Order are clear and appropriate and has made no changes in response to the submissions. While concerns about the potential impacts on competition were noted, the government's view is that the approach and methodology the ESC is required to take in making a price determination will adequately ensure such matters can be taken into account. For example, the Order requires the ESC to have regard to statutory objectives under the *Electricity Industry Act 2000* and the *Essential Services Commission Act 2001*, and to determine modest customer acquisition and retention costs (sometimes referred to as the 'costs of competition') in the regulated price.

3.2 Approach to the initial VDO (1 July 2019 to 31 December 2019)

Approach in draft section 13 Order

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The approach to the initial VDO set out in the draft section 13 Order was:

- that the first VDO will apply for 6 months from 1 July 2019 until 31 December 2019; and
- for this period, the tariffs subject to regulation are standing offer flat tariffs and, for domestic customers, both flat tariffs and flat tariffs with a controlled load tariff.

Stakeholder submissions on the consultation paper

Submissions from consumer groups proposed that the obligation to supply the VDO should be extended from the current arrangements.

A number of submissions queried whether the VDO would apply to customers in embedded networks.

Government's final position

The approach to the initial VDO is the same as in the draft section 13 Order. The applicable tariffs have been updated to reflect changes in the ESC's final advice to government on the VDO price to apply from 1 July 2019.

The government is not expanding Victoria's obligation to supply arrangements at this time. That said, the Victorian government's view is that energy is an essential service and the Victorian government expects retailers to make every effort to supply the VDO to any customer who requests it from 1 July.

The government will be monitoring any circumstances in which retailers refuse to supply the VDO to consumers. In the event that the government becomes aware of circumstances in which retailers are unreasonably failing to supply the VDO to consumers, the government will move to strengthen Victoria's obligation to supply arrangements.

On balance, the government considers that it is appropriate to defer the application of the VDO as a maximum price for embedded networks to enable further consideration of the appropriate maximum price and of suitable retailer of last resort arrangements. Amendments to the General Exemption Order have been made to effectively 'freeze' the maximum price at the current local retailer standing offer rates, until the ESC formulates a new maximum price for embedded networks.

3.3 Approach to the VDO for future periods (1 January 2020 onwards)

Approach in draft section 13 Order

The draft section 13 Order reflected the government's intention that all standing offers will be subject to price regulation from 1 January 2020. The proposed approach required the ESC to make a price determination to set VDO prices for each regulatory period from 1 January 2020, while providing the ESC with discretion as to how VDO prices are determined in future periods.

Stakeholder submissions on the consultation paper

Retailers' submissions queried whether the VDO will be extended to customers on non-flat tariffs in the future and the need for effective arrangements for network tariffs changes if these customers want to switch to the VDO. Retailers suggested that the ESC be required to set a cost reflective tariff alongside a flat tariff for each customer type post 1 January 2020, to avoid the need of cross-subsidy between customer types.

Retailers expressed concern that the proposal for the ESC to make a price determination at least 42 days in advance of the regulatory period did not allow enough time for retailers to publish their standing offer tariffs and other prices (i.e. the period should be longer than 42 days).

Some retailers queried whether the publication and gazettal requirements in the EIA were still relevant in the context of a regulated price, and suggested that the standard one-month requirement for notification of standing offer tariff variations should be permanently reduced to e.g. two weeks, or removed altogether.

Conversely, some retailers were also concerned that the 42 day timing would not allow the ESC sufficient time to take into account network price determinations (i.e. the period should be shorter than 42 days).

Government's final position

The final Order confirms that all standing offers will be subject to the VDO from 1 January 2020, and provides more clarity on the approach the ESC is to adopt in regulating non-flat standing offer tariffs from this date.

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To address the concerns around timing of the ESC's price determination, the following changes have been made:

- the section 13 Order now requires the ESC to make a price determination at least 37 days before the commencement of the regulatory period. This will ensure the ESC has adequate time to take into account network price determinations;
- to ensure retailers have enough time to gazette their standing offer tariffs for the regulatory period starting on 1 January 2020 (as well as for the initial period from 1 July 2019), the section 35(3B) Order now allows retailers to publish compliant standing offer tariffs with 2 weeks' notice. In the longer-term, Government will consider whether changes to standing offer publication and gazettal requirements in the EIA should be made.

3.4 Approach and methodology for making a price determination

Approach in draft section 13 Order

The draft section 13 Order set out the proposed approach and methodology for the ESC in making a VDO price determination. This approach and methodology was similar to that specified by the government in its terms of reference to the ESC in December 2018. The draft Order required the ESC to:

- adopt an approach and methodology that it considers will best meet its objectives under EIA and the *Essential Services Commission Act 2001*, as well as the objective of the VDO specified in clause 3 of the Order; and
- determine the VDO price based on the efficient costs of a retailer.

Stakeholder submissions on the consultation paper

A range of submissions were made about the approach and methodology for the ESC making a price determination, including:

- concerns about the draft section 13 Order disapplying certain parts of the ESC Act requiring the ESC to undertake a cost/benefit analysis in its determination of future VDO tariffs;
- submissions that the ESC's approach to wholesale costs should specifically consider the needs of small retailers who lack the flexibility of 'gentailers' – i.e. who can't set up transfer price arrangements with their generator arm and instead must lock-in hedges;
- concerns that clauses relating to the determination of customer acquisition and retention costs and retail operating margin used overly subjective language; and
- submissions that retailers' costs should be determined without reference to actual costs as doing so could build in inefficiencies the VDO is trying to address.

Government's final position

The government considers that the approach in the draft section 13 Order is appropriate in meeting the objective of the VDO.

The government's view is that it would not be appropriate to require the ESC to undertake a cost/benefit analysis in each price determination that it makes for the VDO – noting that the question of whether to apply regulation to the retail electricity sector is a policy question for government. It is noted that multiple reviews – including the *Independent Review of the Electricity and Gas Retail Markets in Victoria* – have determined that competition has, to date, failed to deliver the anticipated consumer benefits and that strong intervention is required to redress the failures in the market.

Draft clauses setting out specific matters for the ESC to consider in determining customer acquisition and retention costs and retail operating margin have been revised. The revised clauses give the ESC a broader discretion in determining these matters.

3.5 Information on customer bills

Approach in draft section 13 Order

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The draft section 13 Order required that a retailer's electricity bill must include clear and simple information about how to access the VDO from 1 July 2019.

Stakeholder submissions on the consultation paper

Retailers were concerned that the proposed requirement could result in confusion between the "best offer" and the "VDO messaging" on bills. Retailers also noted that because their billing updates are currently underway or nearing completion to reflect the "best offer" message, further changes cannot be accommodated to meet the 1 July 2019 implementation date.

Consumer groups underlined the need for ongoing government and community information provision to promote the VDO, including a government VDO information sheet provided with energy bills. Consumer groups also asserted that retailers should be required to use standardised terminology to describe the VDO.

Government's final position

To address concerns about retailers' ability to meet this requirement by 1 July 2019, the final Order requires that retailers must include the VDO bill message on electricity bills from 1 October 2019.

This requirement will be in place until such time new arrangements are made by the ESC through the Energy Retail Code, enabling further consideration of the interaction between different obligations in the Code. The ESC will consult with stakeholders in making these changes, per its usual processes.

3.6 VDO to be the reference price for discounts

Approach in draft section 13 Order

The draft section 13 draft Order proposed that, from 1 July 2019, any discount or other benefit would need to be calculated by reference to the estimated annual price of the VDO. This includes discounted offers relating to any tariff type (not just flat tariff and flat tariff with controlled load tariffs).

Stakeholder submissions on the consultation paper

Retailers' submissions raised potential issues with applying the VDO as the reference price for discounts citing potential unintended consequences resulting from the draft Order requirements. These included:

- that the reference to "other benefits" was too broad and could include non-price benefits capturing other offers such as cash sign-on incentives, magazine subscriptions or frequent flyer points;
- that it may not be appropriate to compare the flat tariff VDO to a market offer that is not based on a flat tariff; and
- that the disclosures required prior to an offer being accepted on details of the discount or benefit may already be covered by the new clear advice requirements in the Energy Retail Code due to commence on 1 July 2019.

Government's final position

The final Order requires that for all discounted offers to domestic and small business customers, the discount must be expressed by reference to the estimated annual cost of the VDO. The approach has been designed to provide a simple "anchor" for the purposes of comparing discounts in the market such that this comparison will no longer be like 'comparing apples with oranges'.

In recognition of concerns about the potential uncertainty of the phrase 'other benefits', the final Order only requires the use of the VDO as a reference price in relation to the offering of 'discounts'.

3.7 Review of the Order

Approach in draft section 13 Order

The draft section 13 Order proposed that the operation of the Order would be reviewed within five years.

Stakeholder submissions on the consultation paper

All submissions supported the review of the section 13 Order and most stakeholders suggested that the review period be shorter, proposing either one, two or three years rather than the proposed five years. One consumer group recommended a review after three years.

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Submissions from retailers maintained that while market impacts are excluded from the VDO Objective, the section 13 Order's review should consider whether the VDO is delivering net public benefits or is promoting the long-term interests of consumers. Consumer groups indicated that the review should also assess the degree to which the VDO assists in reducing energy hardship for customers on low incomes and/or with high energy needs.

Government's final position

The final Order requires that a review of the operation and effectiveness of the Order undertaken within three years of the Order commencing. While stakeholders raised several matters that could be appropriately taken into account as part of the review, to ensure flexibility the Order does not prescriptively detail what the review must consider.

3.8 Other instruments

Stakeholder submissions on the consultation paper

Some submissions suggested that amendments should be made to other regulatory instruments, either as consequential amendments or to further support the introduction of the VDO. For example:

- amendments to the AMI Tariffs Order relating to assignment of distribution tariffs;
- changes to obligation to supply arrangements, which are set out in other Orders in Council under the *Electricity Industry Act 2000*; and
- changes to the Energy Retail Code.

Government's final position

Government will monitor the implementation of the VDO and consider the need for any related amendments to other instruments. The ESC is also consulting on draft consequential amendments to the Energy Retail Code relating to the VDO.⁶

⁶ Available at: <https://www.esc.vic.gov.au/sites/default/files/documents/DDP%20-%20RMR%20-%20consequential%20amendments%20relating%20to%20VDO%20-%202020190508.pdf>