

1 July 2019

DEFAULT OFFER UNLIKELY TO REDUCE ENERGY BILLS FOR MOST VICTORIANS***Almost 3 million Victorians could be paying 'lazy tax' of at least \$100 on energy bills***

Victorians are overestimating the potential savings from new default energy offers introduced on 1 July 2019, new research released today by energy experts [iSelect](#) has revealed.¹

The Victorian Default Offer (VDO) has been introduced as of 1 July 2019. The new VDO will now replace standing offers and are designed to protect customers who chose not to shop around.

The **YouGov Galaxy Research** study commissioned by iSelect found that a quarter of respondents (25% or 1.2 million) believe the VDO will make their bills cheaper, when in fact it is only likely to reduce bills for the minority of Victorians who were on more expensive standing offers.

The research also found that 34 percent of Victorians believed they were on a standing offer. In reality, only around six per cent of Victorian customers were on standing offers.² These customers have now been automatically transferred to the new VDO as of 1 July and are expected to see annual savings of around \$390 to \$520 a year, depending on their distribution zone.³

Laura Crowden, spokesperson for iSelect Energy, said that the **new VDO won't reduce bills for the majority of Victorian customers who are already on market offers.**

"Victorians shouldn't simply 'default to the default'. Shopping around for the market offer most suited to your household's needs is still the best way to save on your energy bills," Laura said.

"Both the Australian Energy Regulator and the Australian Energy Council have confirmed that market offers will almost always be cheaper and that customers who remain on default offers will likely be paying more."⁴

The YouGov Galaxy research also suggested that 2.8 million Victorians could be paying a '**lazy tax**' when it comes their energy bills. A third of respondents suspect they 'could probably find a better deal', with further 24% not sure whether or not they are paying more than they need to.

"Only 43 per cent of Victorian respondents are confident they are currently getting a good deal on their energy which means over half of Victorians are at risk of paying a 'lazy tax' on their energy simply because they haven't bothered to compare their options."

Laura said this was backed up by a survey of iSelect customers who had recently switched energy providers or plans. Three-quarters (77%) of customers said they had or were expecting to save, with 57% estimating a saving of more than \$100 a year, including 21% expecting to save more than \$300.⁵

¹ In May 2019 iSelect commissioned a nationally representative consumer research study with YouGov Galaxy Research to assess the attitudes of over 1,000 Australians towards energy bills.

² Source: [Essential Services Commission, 8 March 2019](#).

³ Source: As above.

⁴ Sources: [The Australian, 30 April 2019](#) & [Australian Energy Regulator, 30 April 2019](#)

⁵ iSelect Internal Research utilising the Qualtrics Platform. Online interviews conducted among 1432 Australians in May 2019 who had switched energy provider and/or plan via iSelect.

The YouGov Galaxy research also revealed significant confusion among Victorians about the different types of energy offers, with a third (34%) admitting they don't know what kind of offer they are on.

There are now two main types of energy offers – the new default offers and market offers, which include the heavily discounted rates advertised on TV.

Laura said Victorians need to be aware that many market offers include discounts that are conditional and most expire after a year or two, after which time customers may be automatically rolled over on to a higher-priced plan.

“Over a third of Victorians (39%) admitted they hadn't switched their energy plan for over two years, and many of these Victorians are likely paying too much. Retailers are now required to notify you when your discount period expires, and this should be your prompt to shop around.”

Laura said 29 per cent of Victorian respondents admitted to having being caught out by conditional discounts such as having to pay on time, with over half caught out having been stung an extra \$50 or more.

“We weren't surprised to learn that over half of Victorians think comparing energy plans is ‘confusing’. That's where iSelect can help. Our highly-trained energy experts can do the hard work for you to help you select a suitable plan from our range of providers.”⁶

iSelect's top 5 tips for finding a good value energy deal	
1.	Don't default to the default – Market offers will still almost always be cheaper than the new default offers and shopping around is still the best way to reduce your energy bills.
2.	Don't set & forget – Retailers are now required to notify you when your rate changes or your discount expires. This should prompt you to compare plans to ensure you're getting a good deal.
3.	Flexible payment options – To avoid bill shock you can opt to pay your bills weekly, fortnightly or monthly, or sign up for bill smoothing, which divides your annual usage into monthly instalments.
4.	Don't be distracted by discounts – Many retailers advertise heavily discounted rates but these are often conditional. Opting for a lower ongoing rate without discounts can be cheaper in the long-run, especially if you often pay your bills late. And remember, most discounts expire after a year or two.
5.	Shop around – Use increased energy competition to your advantage by comparing current offers. Call an energy comparison service like iSelect and make sure you have a copy of your latest bill handy. ⁷

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⁶ iSelect does not compare all providers in the market or all the plans offered by its providers. Not all plans or offers available at all times, or through all channels. Some offers only available from iSelect's call centre. [Click here](#) to view iSelect's range of providers.

⁷ As above.

About iSelect

At iSelect, we're passionate about helping Australians reduce their household bills and save money, time and effort. We are Australia's go-to destination for comparison across insurance, utilities and personal finance products made available from our range of providers and our advice is provided at no cost to the customer.

We compare a wide range of Australia's leading brands but unlike other comparison sites, we are not owned by an insurance company. Our highly trained expert consultants help Australians to compare, select and save. www.iselect.com.au

Energy disclaimer

iSelect does not compare all energy providers or plans in the market. The availability of plans will change from time to time. Not all plans made available from iSelect providers are compared by iSelect and due to commercial arrangements or availability, not all products compared by iSelect will be available to all customers. Some plans and special offers are available only from iSelect's call centre. Other plans are available only from iSelect's website. Energy plans are available only for properties located in eligible areas of Victoria, New South Wales, South East Queensland, South Australia and ACT. [Click here](#) to view iSelect's range of providers.