



Advance notice of price changes

The Commonwealth and New South Wales governments have submitted a joint rule change request to provide consumers with advance notice of price increases prior to changes coming into effect.

Notice periods on retail energy contracts

Retail energy contracts generally fall into one of two categories:

- **standing offers** are basic electricity contracts with terms and conditions that are regulated by law. Retailers cannot alter them. In some, but not all jurisdictions, the standing offer price is also regulated
- **market offers** are electricity contracts determined by retailers in the competitive market. These contracts must contain a minimum set of terms and conditions, such as consumer protection obligations.

Under the National Energy Retail Rules (NERR) retailers are required, as a minimum, to directly notify their market and standard offer customers of any price changes no later than their next bill. Depending on the customer's bill cycle, notice can be anywhere from a few days after the price increase comes into effect to up to three months afterwards.

The Commonwealth and NSW governments are of the view that consumers should be informed of any changes to their energy prices before those changes occur. Armed with advance notice of price changes, consumers may be prompted to shop around and find a better offer. This may encourage retailers to provide more competitive offers, with the effect of driving down prices.

The rule change request

The rule change request would amend the National Energy Retail Rules (NERR) to require retailers to provide:

- ten days' advance notice of price increases to customers on market offer contracts
- advance notice to customers on standing offer contracts.

The rule change request indicates that the contents of the notice will be a key to its success in improving consumer outcomes. Therefore, the contents of the notice will also be considered as part of this rule change request. This will include assessing whether the notice should include information on price comparator websites such as Energy Made Easy, and should also inform customers of their rights to historical billing and consumption information.

The proponents consider that these changes will provide a number of benefits including:

- costs savings for consumers
- enhanced consumer engagement
- improved confidence in the market
- reduced risk of bill shock
- more efficient operation of the market
- harmonisation of regulation between states (a similar rule to the one proposed has been in operation in Queensland since 2014).

The Commonwealth and NSW governments have submitted a rule change request requiring retailers to provide advance notice of a price increase to customers.

Issues for consideration

The rule change request raises a range of issues that are further explained in the consultation paper.

Stakeholders are invited to comment on these issues, which include:

- the extent to which the current delay in notice of price increases negatively impacts consumers
- what length of notice period will be most beneficial to consumers and at the same time workable for retailers
- whether the ten day notice period should be applied to standing offers, as well as market offers
- whether the notice period should also be applied to price decreases as well as price increases
- whether there is any reason advance notice should not apply to gas retail contracts
- how the notice can be delivered, allowing for trends in electronic communication between retailers and their customer base and how customers prefer to receive updates from their retailer
- whether the notice should be a simple notification of a price increase or whether it should contain additional information to help the consumer to engage with the market and energy comparison sites
- what exemptions should apply, either for retailers that have their prices set by a regulator or on a short term basis where retailers have made customers aware of price increases on signing them up
- what systems and processes would need to be changed before any final rule could be implemented
- what an appropriate implementation timeframe would be.

The design and operation of advance notice is being examined in the context of the most appropriate, user friendly and efficient notice that can be provided to customers in order to inform them they will be subject to a price increase and to facilitate their engagement with the market.

Submissions

The consultation paper and the rule change request are available on the AEMC website. Stakeholders are invited to make written submissions in response to issues raised and the rule change request by **24 May 2018**.

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