



Advance notice of price changes

Stakeholder submissions invited on draft rule

The Australian Energy Market Commission (AEMC) has made a draft rule that requires retailers to send advance notice of price changes to small retail energy consumers. Submissions are due by 16 August 2018.

The draft rule requires retailers to provide consumers with notice of changes to their energy tariffs before they take effect. This will provide greater transparency in the retail energy market, helping consumers to avoid bill shock and giving them the opportunity to consider a variety of actions to manage changes to their energy bill before they occur.

The draft rule requires five business days' advance notice of price changes for small retail consumers on a market or standing offer. The notice will include the date of the change to their tariffs and both the existing and new tariffs that will apply. Consumers will also be notified that they can access historical usage and billing data in order to assess the impact of the changes on their bill.

Notice of price changes on retail energy contracts

Currently, under rule 46 of the National Energy Retail Rules (NERR), retailers are only required to inform energy consumers on market retail contracts of changes to their tariffs as soon as practicable, and in any event no later than their next bill. This is similar to requirements for standing offer customers who also must be informed no later than their next bill.

Given the timing of the billing cycle after a price change, some consumers will not be notified of a change in their prices until almost three months after they have come into effect. As a result, the consumer may be subject to bill shock and may not be sufficiently prompted to reconsider their energy consumption plans, their retail contract or their choice of retailer before the new prices come into effect.

The draft rule

The draft rule expands the rule change proposal to apply advance notice to all small retail energy consumers on market and standing offer contracts for both price increases and decreases.

The draft rule requires retailers to:

- provide advance notice of price increases and decreases, five business days in advance of the change
- use the customer's preferred form of communication
- clearly indicate that the notice is a price change notice
- include the date of the change, the customer's existing tariffs, and new tariffs so they are easy to compare
- provide a prompt that the customer can access their historical billing and usage data if required.

Exemptions apply:

- for consumers on regulated retail prices
- for customers whose prices are linked to the spot price and therefore vary within the year
- for customers who have already received a price change notice, either within 10 days of the price change because they have recently entered into the contract, or because their fixed benefit period is ending
- where changes to the consumer's energy costs are due to the expiry of a government concession or relief scheme.

The draft rule encourages greater transparency in the retail energy market by the provision of clear and concise price change notices to all small retail consumers

The rule change request

The Honourable Josh Frydenberg MP, Minister for the Environment and Energy on behalf of the Australian Government and the Honourable Don Harwin MLC, Minister for Energy and Utilities on behalf of the NSW Government proposed to amend the NERR to require retailers to provide advance notice of price increases on retail energy contracts with small consumers.

This included amending the NERR to require:

- ten business days advance notice of price increases on market offer contracts
- advance notice of price increases on standing offer contracts

The rule proposal also indicated the AEMC may consider it appropriate to enhance the price change notice requirements to, for example, clearly state:

- that a price change will occur, the price change and the price change date
- that the small customer may use the price comparator to compare offers that are generally available to classes of small customers in their area
- the name and web address of the price comparator
- that the customer can request historical billing data and/or energy consumption data, from the retailer.

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

- cost savings for consumers through an earlier awareness of price increases
- enhanced consumer engagement in the energy market
- reduced risk of bill shock
- more efficient operation of the market
- harmonisation of regulation across different states

Submissions

The draft determination and the draft rule are both available on the AEMC website. Stakeholders are invited to make written submissions by **16 August 2018**.

For information contact:

AEMC Senior Adviser, **Russell Pendlebury** (02) 8296 0620
AEMC Director, **Shari Boyd** (02) 8296 7869

Media: Communication Director, Prudence Anderson 0404 821 935 or (02) 8296 7817