Improving consumer confidence in retail energy plans

We have made a more preferable draft retail rule (draft rule) in response to four rule change requests submitted by the Hon. Chris Bowen MP, Minister for Climate Change and Energy, as Chair of the Energy and Climate Change Ministerial Council (ECMC). These requests seek to amend the National Energy Retail Rules to improve energy market contracts.

We have made a draft rule to improve consumer protections for customers on retail energy plans

The draft rule seeks to inform, empower and protect consumers through resolving specific systemic issues relating to retail energy contracts and would:

- protect customers on contracts with benefits that change or expire from paying more than the standing offer once the benefits end
- extend protections for customers on existing contracts with unreasonable conditional discounts by requiring the retailer to remove the conditionality of the discount and apply the discount in full
- protect customers on deemed customer retail arrangements from disconnection if they are paying their bills
- restrict retailers from increasing prices in market retail contracts more than once in 12 months
- prohibit fees and charges for vulnerable consumers and limit fees and charges to reasonable costs for all other consumers
- require retailers to inform their customers about these changes
- provide retailers with just over 12 months to comply with the rule.

The draft rule seeks to address the 'loyalty penalty' and lack of certainty around prices when benefits end

The draft rule would introduce a consumer protection that prevents new and existing customers from being charged more than the standing offer price after their energy plan's benefits change or expire. The draft rule does not include exemptions for specific plans or benefits. This aims to improve consumer certainty and allow customers to compare offers more easily.

The draft rule also improves protections for customers on deemed customer retail arrangements, ensuring they can not be disconnected if they are paying their bills.

The draft rule would remove unreasonably high penalties for not paying bills on time

The draft rule aims to improve outcomes for consumers on contracts that contain high conditional fees or discounts. Some contracts contain conditional fees or discounts - where the customer has to pay more if they do not pay their bill on time, or use a certain payment method. In 2020, the Commission made a rule requiring conditional fees and discounts in new contracts to be no higher than the retailer's reasonable costs. This rule did not apply to contracts on foot at that time - those contracts were grandfathered. Some of these contracts with high fees or discounts are still on foot. For those contracts, the draft rule would require the high fees to be reduced to reasonable levels (applying the 2020 rule), and would require the high discounts to be applied in full, whether or not the customer met the condition relating to that discount.

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The draft rule seeks to improve certainty for customers by restricting price rises

The draft rule aims to provide more certainty to consumers about when their electricity and gas prices may increase and reduce the number of price increases that they face over the length of the contract. Retailers would only be allowed to increase prices once every 12 months, if required, for all existing and new market retail contracts. This would mean prices may increase either:

- once within the month of July each year (the majority of customers), or
- at least 12 months after a customer enters the contract and then no sooner than 12 months from the previous price increase. (This applies only if the contract specifies that prices won't increase for a certain period of time after the contract start date).

The draft rule also seeks to improve information provision and comparison of offers from retailers by requiring retailers to inform customers when prices may change under the contract prior to the customer entering a contract. It additionally increases the notification requirements around a price rise event.

The draft rule seeks to improve certainty around bills by restricting fees and charges

The draft rule aims to provide consumers experiencing vulnerability more certainty about their bills and increases transparency of fees and charges for all consumers. It would prohibit retailers charging any ancillary fees and charges to hardship customers, customers on payment plans, customers experiencing family violence and customers receiving a concession.

The draft rule would restrict all ancillary fees and charges to reflect the reasonable costs incurred by the retailer, for all other customers. It would also prohibit account establishment fees and special meter read fees for move-in/out, for all customers. Retailers would also be required to provide at least one free payment method that is commonly used and easily accessible for their customers.

We have applied four assessment criteria to the rule change request

The Commission has considered the National Energy Retail Objective (NERO),[1] the consumer protections test and the issues raised in the rule change request by applying the assessment criteria that we outlined in the consultation paper. For this draft determination, we also had regard to promoting equitable energy outcomes. This complements the new guidance we have developed to ensure issues of equity are consistently and transparently addressed in a structured way when we are making rule changes and delivering recommendations. That is putting a consistent focus on:

- the diversity of consumer needs, experiences and preferences
- removing structural barriers to participation
- avoiding creating or exacerbating vulnerability.

The draft rule would contribute to achieving the NERO in these ways:

- **Outcomes for consumers:** The draft rule would help improve outcomes for consumers by strengthening consumer protections relating to benefits and price certainty, particularly for consumers that do not regularly switch their energy retailers. We consider this is compatible with consumers' wants and needs. It advances equity by providing additional protections for vulnerable consumers where we consider this is necessary and appropriate.
- **Principles of market efficiency:** The draft rule would allocate risks between consumers and retailers to those parties best suited to manage risk. We consider that a key role of retailers is to manage risks for consumers. The draft rule would promote equity by removing structural barriers to enable consumers to access benefits relating to energy and by improving transparency and clarity for consumers around what prices they would pay. The draft rule would also promote the efficiency of the retail energy market by reducing some barriers to switching retailers, which may improve the competitiveness of the market.
- **Implementation considerations:** The draft rule seeks to minimise implementation costs and provides retailers with some flexibility to consider and implement different approaches that may be lower in cost for their billing operations and/or systems. It interacts positively

[1] Section 13 of the NERL.

with other reforms underway and seeks to address current systemic issues. The implementation timeframe of 12 months provides adequate time for retailers to update their contracts and for the AER to update its guidelines.

- **Principles of good regulatory practice:** The draft rule appropriately balances principles and prescription. For example, it applies prescription in relation to vulnerable consumers by prohibiting fees and charges and applies principles by using the principle of reasonable costs to fees and charges for other consumers. The draft also rule aims to promote simplicity and transparency for stakeholders. It clearly identifies what retailers are required to do in each scenario and improves transparency for consumers in understanding their rights and what they should be paying.

The draft determination and rule covers four rule change requests that have been consolidated

We have consolidated four rule change requests into one rule change process—*Improving consumer confidence in retail energy plans.* The four rule change requests are:

- *Ensuring energy plan benefits last the length of the contract*
- *Removing unreasonable conditional discounts*
- *Preventing price increases for a fixed period under market retail contracts*
- *Removing fees and charges.*

A draft determination on *Assisting hardship customers* was also released today with submissions closing on 8 May 2025. See the draft determination here.

Submissions are due by 8 May 2025

Written submissions responding to this consultation paper must be lodged by 8 May 2025 via the Commission's website, www.aemc.gov.au. Please use the project code RRC0058 when lodging a submission.

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