INFORMATION

Notification of changes to customer benefits under retail contracts

Publication of final rule and final rule determination

The Australian Energy Market Commission has made a rule requiring retailers to notify small customers of changes to benefits (such as percentage discounts) under their retail electricity and gas contracts.

Improving consumer engagement

By prompting customers to research energy offers and giving them the information they need to do so, this rule is expected to increase consumer engagement with the energy market and reduce the number of consumers remaining on contracts with expired benefit periods.

This rule was made on an expedited basis under the National Energy Retail Law, pursuant to a rule change request from the Honourable Josh Frydenberg MP, Minister for the Environment and Energy on behalf of the Australian Government. The rule change request was submitted following the Australian Government's round table discussions with energy retailers in August 2017, and reflects recommendations made in the AEMC's 2017 retail energy competition review.

Obligations under the rule

The rule's key requirements apply only to retailers with small customers on market retail contracts for electricity or gas where the contract provides a benefit to the customer (such as a price discount) for a minimum period or fixed benefit period that does not continue for the life of the contract. The rule requires retailers to send a notice to customers on such contracts 20-40 business days before their benefit changes.

The obligations under the rule will be implemented in stages.

Commencing on 1 February 2018, retailers will be obliged to send notices with simple information to relevant customers. This information includes:

- the customer's metering identifier
- a statement that the customer's benefit will change and the date on which this will happen
- reference to the AER's price comparator website Energy Made Easy
- reference to the customer's ability to request historical billing data (under existing rules) to assist in using Energy Made Easy
- any early termination charges payable under the contract.

By 1 July 2018, the AER will publish guidelines on more detailed information. Retailers must commence including this detailed information in notices to relevant customers no later than 1 October 2018.

The guidelines will specify the information a customer needs to use Energy Made Easy to compare available offers, and to compare the customer's current contract with those offers. The AER may also include certain other information in the guidelines. For example, information to allow a customer to compare the amount they were billed during the benefit period with amounts they would be billed under available offers.

The guidelines will help to achieve a consistent approach as between different retailers, and as between the retailers and Energy Made Easy, in relation to the calculation and presentation of these amounts. This will assist with consumer engagement with the market.

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Differences in coverage between the proposed rule and the final rule

Although the rule change request included some references to gas contracts as well as electricity, the text of the proposed rule referred to electricity contracts only. As the issue giving rise to the rule change request - that customers remain on contracts with expired benefits as they receive no reminder of the end of the benefits - applies to gas as well as electricity, the final rule also applies to gas and electricity contracts.

Retailers must notify customers when a benefit changes or ends.

The proposed rule did not require a retailer to send a notice in relation to the end of a "non-financial benefit". The Commission has not included this exemption in the final rule. Benefits that are not financial in nature may have value to customers, and may have been a factor when customers decided to enter into the contract. Therefore customers should be notified when those benefits are changing or ending.

The proposed rule required notices to be sent at the end of a fixed benefit period, with an exemption if, on the expiry of this period, the customer would be "financially no worse off" than before this period expired. This exemption was unclear, but it may have applied if, for example, the retailer continued to give the customer the same benefit after the end of a fixed benefit period as it received during the period. The final rule addresses this issue in a different way. Retailers are required to send notices when a benefit changes or ends, rather than merely when a fixed benefit period ends. This provides appropriate flexibility and means that notices are not required if a fixed benefit period ends but the benefit provided during that period continues unchanged.

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