**Advance Notice of Price Changes – AEMC Rule Change Consultation – Formal feedback from the Department of State Growth (Tasmania) – (RRC0015)**

The Department of State Growth is pleased to provide feedback on the proposed rule change regarding advance notice of price changes.

The Department is supportive of changes that improve outcomes for customers, both in relation to choice and price.

The Department understands that the intent of the rule change is to allow customers to be given advance notice of upcoming tariff changes. This is intended to provide customers, armed with knowledge of future tariff increases, with the opportunity to shop around for a new retailer at a potentially lower cost of energy. The general policy intent of this change supported. However in Tasmania the ability for customers to achieve this outcome is currently limited as Tasmania has only one retailer participating in the residential customer market and electricity prices for households and small businesses are regulated.

The NERR already has Rules that specify how retailers are to notify electricity customers[[1]](#footnote-1) of tariff changes. The Department contends that the existing Rules are sufficient for customers on regulated standing offers.

The major concern is with the application of this rule to the majority of Tasmania’s customer base on standing offer contracts with regulated pricing (some 250 000 customers), who are not subject to frequent price changes, and who are not able to select an alternate retailer.

The Department agrees that there may be benefits to the proposed Rule for customers on market offers, as under the current Rules retailers can structure market contracts so that tariffs can potentially be changed frequently without prior notice.

**The Department’s view is that the proposed Rule should not apply to regulated standing offer contracts in jurisdictions where effective retail competition is not yet evident. This could be achieved by implementing an exemption in the final Rule.**

The Department supports an exemption option within the Final Rule Change that would apply to regulated standing offer customers in Tasmania. If the profile of the retail market in Tasmania changes then the suggested exemption under the Rule may no longer apply and Tasmanian retailers would then be required to provide the proposed advanced notice provisions.

The Department has three key (interrelated) concerns with the proposed rule change:

1. **Single retailer and standing offer contracts**

As noted, the basis of this rule change is to notify customers in advance of price changes, which may prompt them to shop around with other retail offers. There is only one retailer participating in the residential market and prices for households and small businesses are set by the Tasmanian Economic Regulator on an annual basis. Therefore the key intended outcome of the rule change cannot be realised in Tasmania at this point in time.

1. **There will be costs to implementation but limited benefits to customers**

There will be costs of implementing this rule change. Aurora Energy estimates that the cost of mailing out a notification to each of its customers on regulated standing offers could be up to $300 000. This cost is then likely to be recovered by the business in full, or in part, from customers[[2]](#footnote-2). The method of notification, and contents of the notification, are yet to be decided and it may be possible to minimise costs through use of alternate notification methods such as using text messages or emails. These methods pose their own different issues and will still represent a cost to the retailer and its customers. Given that there is only one retailer participating in the residential customer market the notice itself, irrespective of its form and cost, will not provide much benefit to customers. The Department considers that the cost associated with the rule change proposal will eventually be borne by customers, but without any significant benefit to customers.

1. **The proposed rule change predominately seeks to address issues with market offers where prices may be changed much more frequently.**

Most of the arguments in support of the rule change relate to market offer contracts. This may be reasonable given that under the Rules retailers are able to change their tariff structures for market offers in accordance with the conditions specified in that market contract - which could outline that the retailer can change tariff prices frequently, without advance notice. This may be a problem for customers in other jurisdictions, such as in New South Wales (NSW) or South East Queensland (SE QLD), however this is not an issue for the vast majority of Tasmanian customers.

The price of electricity for the majority of Tasmanian customers is not subject to frequent changes. Under the Rules a retailer is only able to alter its tariff structures for standing offers once in every six month period. In accordance with the Tasmanian legislative requirements[[3]](#footnote-3), the Tasmanian Economic Regulator (the Regulator) has responsibility for determining the maximum prices that a Regulated Offer Retailer (the Retailer) can charge its regulated customers. The Retailer is required to submit annual pricing proposals to the Regulator that sets out the proposed fixed and usage charges for each tariff. Due to this arrangement the Tasmanian standing offer prices generally change once per year prior to July 1 following an annual price approval. Under the Rules Aurora Energy is required to notify its customers of price changes via advertisements in the major local newspapers, via notifications on its website, and directly on a customers’ next electricity bill. For further information on Tasmania’s regulated pricing arrangements see the Tasmanian Economic Regulator’s website or the *Electricity Supply Industry Act 1995*.

In summary, the major issues that the NSW and Australian Governments are seeking to fix with this rule change are not present in Tasmania insofar as our regulated standing offer customers are concerned. Tasmania has a very different market structure to that of NSW or SE QLD. The proposed rule change will result in a cost to retailers, passed on to customers, and will at this point in time present limited benefit for customers.

We look forward to the AEMCs final decision on the Rule and hope that our feedback regarding an exemption is taken into account.

For further information contact **Sue Morrison** on (03) 6166 3474 or at sue.morrison@stategrowth.tas.gov.au

1. Note that Tasmania does not apply the NERR in relation to the gas industry. Tasmanian gas retailers provide notice to customers on this area that is, on the whole, consistent with the current Rules. [↑](#footnote-ref-1)
2. The Tasmanian Economic Regulator would be required to approve any such recovery as part of a price determination for a financial year. [↑](#footnote-ref-2)
3. See the *Electricity Supply Industry Act 1995* [↑](#footnote-ref-3)