

## Rule determination

# National Energy Retail Amendment (Improving consumer confidence in retail energy plans) Rule 2025

### Proponents

The Hon. Chris Bowen MP, Minister for Climate Change and Energy, as Chair  
of the Energy and Climate Change Ministerial Council

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**Reference: RRC0058**

## About the AEMC

The AEMC reports to the energy ministers. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the energy ministers.

## Acknowledgement of Country

The AEMC acknowledges and shows respect for the traditional custodians of the many different lands across Australia on which we all live and work. We pay respect to all Elders past and present and the continuing connection of Aboriginal and Torres Strait Islander peoples to Country. The AEMC office is located on the land traditionally owned by the Gadigal people of the Eora nation.

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To cite this document, please use the following:

AEMC, Improving consumer confidence in retail energy plans, Rule determination, 19 June 2025

## Summary

- 1 The Commission has made a more preferable final retail rule (final 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) that seek to amend the National Energy Retail Rules (NERR) to make changes to energy market contracts.
- 2 The four rule changes 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.*
- 3 We have consolidated these four rule change requests into one rule change process—*Improving consumer confidence in retail energy plans*.
- 4 The four rule change requests form part of the broader ECMC consumer rule change package submitted on 12 and 28 August 2024. The package involves seven rule change requests that together seek to help households access cheaper energy deals, increase support for people experiencing hardship and deliver more protections for consumers. The Commission has commenced separate rule change processes for the other requests. The three other rule change requests are:
  - *Assisting hardship customers* (Final determination publishing 19 June 2025)
  - *Improving the ability to switch to a better offer* (Draft determination publishing 19 June 2025)
  - *Improving the application of concessions to bills* (Draft determination publishing soon).
- 5 We have made a final determination and final rule that will improve consumer protections for small customers (predominantly households) on retail energy contracts, increase the certainty and transparency of the prices they will pay and improve confidence in the retail energy market.
- 6 The final rule will inform, empower and protect consumers through resolving specific systemic issues relating to retail energy contracts and will:
  - 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 carry-over 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 retail fees for vulnerable consumers and limit fees 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.
- 7 We have carefully assessed the final rule against our statutory objectives, leading us to make more preferable solutions in several areas. We have sought to balance consumer protections and market efficiency to deliver enforceable policies to drive outcomes that best serve Australian energy consumers in the long term.

- 8 The Commission considers that the final rule contributes to our strategic vision for [A consumer-focused net zero energy system](#) and our [AEMC strategic priorities](#) to inform, empower and protect consumers individually and as a collective. The final rule improves the provision of information to consumers, which helps empower them to make informed decisions about their energy contracts and seeks to improve consumer protections.

## The final rule will address the loyalty penalty and lack of certainty around prices when benefits end

- 9 The Commission has made a final rule to improve consumer confidence and bolster protections for customers on contracts where the benefits do not last the length of the contract. This will also address the 'loyalty penalty'- the differences in prices that customers on old offers pay compared to those on new offers. Around 17 per cent of offers on Energy Made Easy include a discount that does not last the length of the contract.
- 10 The final rule will introduce a consumer protection that prevents retailers charging new and existing customers more than the standing offer price after their energy plan's benefits change or expire. There are no exemptions for specific plans or benefits included in the final rule. This aims to improve certainty for consumers and allow customers to compare offers more easily.
- 11 The final rule also improves protections for carry-over customers on deemed customer retail arrangements, ensuring they can not be disconnected if they are paying their bills. This addresses an issue raised by a stakeholder in submissions to the consultation paper.
- 12 The Australian Energy Regulator (AER) will be required to update its *Benefit change notice guidelines* to reflect the final rule. This will improve certainty for retailers and consumers.
- 13 The final rule is a more preferable rule as it allows customers to remain on a contract after the expiry of benefits with an additional consumer protection to limit their ongoing prices to no more than the standing offer. This provides improved outcomes for consumers compared to the rule change proposal, which suggested contracts should end when a benefit ends. The improvements in protections for carryover customers are also additional to the rule change proposal.

## The final rule will remove unreasonably high penalties for not paying bills on time

- 14 The Commission has made a final rule 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 still exist today.
- 15 For those contracts, the final rule will require the high fees to be reduced to reasonable levels (applying the 2020 rule), and will require the high discounts to be applied in full, whether or not the customer met the condition relating to that discount. We consider this to be an important equity consideration, as issues relating to the conditional nature of these discounts disproportionately impacts vulnerable consumers who may not be able to meet payment conditions due to financial constraints.
- 16 The final rule differs from the proposed solution in the rule change request of removing grandfathering for discounts as well as fees, as we considered that this would not achieve the

proponent's intent of ensuring these consumers are no worse off. The final rule achieves the intent of the rule change, but with an alternative solution that better protects consumers.

## The final rule will improve certainty for customers by restricting price rises

- 17 The final rule will provide more certainty to consumers around when their electricity and gas prices may increase. It does this by reducing the number of price increases that they face over the length of the contract.
- 18 The final rule will only allow retailers to increase prices once every 12 months, if any increase is required, for all existing and new market retail contracts. This will mean prices may increase either:
  - once within the month of July each year (for the majority of customers) or
  - no earlier than the anniversary of the contract and no sooner than 12 months from the previous price increase where the contract has a fixed price for a period of time after the contract start date.
- 19 The final rule will also only allow retailers to decrease energy payments, such as feed-in tariffs, once every 12 months, if required, for all existing and new market retail contracts.
- 20 The final rule 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 also seeks to improve outcomes for consumers by allowing notification of changes that benefit customers, such as price decreases and energy payment increases, to occur after the fact to avoid delays in customers receiving that benefit.
- 21 The final rule does not restrict network tariff reassignments and associated price changes (noting the existing restrictions on tariff reassignment relating to the roll out of smart meters will remain). Network tariff reassignments result from a distributor making a decision based on an individual customer's circumstances changing or from a customer choice and we consider this to be different from retailer-led price increases. The final rule also allows changes to the prices a customer will pay (or would receive for their solar exports) where the customer has signed up for a contract that provides that a tariff, charge or payment varies in relation to the prevailing spot price of energy.
- 22 The final rule largely aligns with one of the options suggested in the rule change request and the existing requirements in Victoria. The key difference between the final rule and the existing requirement in Victoria is that the final rule provides some additional flexibility as it allows retailers to increase prices within the month of July as opposed to the single date of 1 August.
- 23 The more preferable aspects of the final rule, compared to the rule change request, are:
  - the upfront notification requirement of when prices may increase
  - applying the rule to energy payment decreases, and
  - removing advance notification requirements for price decreases and energy payment increases.

## The final rule will improve certainty around bills by restricting retail fees

- 24 The Commission has made a final rule that aims to provide more certainty about bills for consumers experiencing vulnerability. It also increases fee transparency for all consumers.
- 25 The final rule will prohibit retailers from charging retail fees, except for network charges, to hardship customers, non-hardship customers experiencing payment difficulty and customers

experiencing family violence. This will mean that, in practice, these customers only have to pay the energy rates associated with their retail offer, except if they incur a fee that is a network charge.<sup>1</sup>

- 26 The final rule will restrict all fees to reflect reasonable estimates of the costs incurred by the retailer, for all customers, as well as prohibit account establishment fees and special metering fees that are not network charges, for all customers.
- 27 Retailers will also be required to provide at least one free payment method that is commonly used and easily accessible for their customers under the final rule.
- 28 The final rule aligns with the intent of the rule change request, which proposed prohibiting specific fees and charges. The approach taken in the final rule is more preferable as it recognises equity issues and that vulnerable consumers are likely most impacted by retail fees. Restricting fees for all consumers to reasonable estimates of retailer costs allows for price signals, whilst restricting retailers from profiting unreasonably from services that can only be sought from the retailer during the contract term. The drafting protects consumers from excessive future fees being levied by applying to all retail fees.

## The Commission has considered stakeholder feedback in making its decision

- 29 Stakeholder input and feedback helped shape our final determination. We considered feedback on our consultation paper and draft determination obtained via written submissions, and held multiple bilateral and multilateral discussions with a range of stakeholders. Feedback helped shape our decision to consolidate these rule changes with stakeholders, noting the interrelated nature of the rule changes.
- 30 Overarching feedback across the rule changes from consumer groups and ombudsmen was supportive for the policy intent of the rule. Consumer groups and ombudsmen highlighted that this rule is a much-needed step to address persistent issues relating to the overly complex contract terms and plan details, which have led to market failures and do not meet consumer expectations. We have taken this feedback into account and our final rule will improve the transparency and certainty of market retail contracts and reduce the loyalty penalty of higher prices for those consumers who do not wish to engage.
- 31 Retailers and other stakeholders noted some costs and operational issues relating to the draft rule and provided suggestions for refinements. For example, retailers indicated that a 20 business day notice period requirement would make it difficult to implement price adjustments efficiently as a key input into retailer prices, the Default Market Offer, only becomes available in late May. We have reverted to the existing requirement of five business days for customers who may receive price increases in July, as we consider this to be more achievable practically and will lower those costs associated with any annual price change event.
- 32 More details on the differences between the draft and final rule, which were shaped by stakeholder feedback, are included in the section below.

## There are some key differences between the draft and final rule

- 33 The Commission has made several changes to sections of the draft rule in response to stakeholder input and further analysis. For detailed explanations of why these changes were made, see chapters 3-6.

<sup>1</sup> Network charges mean charges that a gas or electricity distributor is entitled to charge for customer connection services. See section 2 (Interpretation) of the NERL.

34 Improving protections for customers on contracts with benefits that change or expire

- The final rule will restrict retailers from de-energising carry-over customers on deemed customer retail arrangements where they do not engage with the retailer. This is a change from the draft rule, which restricted retailers from de-energising all customers in deemed customer retail arrangements where they did not engage with the retailer, including move-in customers.

35 Removing unreasonable conditional penalties

- The final rule provides more flexibility to retailers in how they notify customers that high conditional discounts will now be applied in full (this is whether or not the customer meets the condition relating to that discount). This means that the retailer can choose to inform the customer of the removal of the conditionality of the benefit in writing, outside the requirements of the *Benefit change notice guidelines*.

36 Restricting retail fees

- The final rule narrows the fee restriction relating to vulnerable consumers to the existing categories of hardship customers, those with payment difficulties and those experiencing family violence, and will not apply to concession customers. This change is appropriate because not all concession customers are in hardship or experiencing payment difficulty.
- Retailers will be able to pass through fees that are network charges for vulnerable customers. They are prohibited from charging vulnerable customers any fee that is not a network charge.
- Retailers will be able to charge special meter read fees for move-in/out if they are network charges. However, retailers will not be allowed to charge customers special metering fees or fees for re-energisation and de-energisation, if they are not network charges.

37 Restricting price increases for fixed period under market retail contracts

- The final rule applies the twelve-month restriction and notice requirements to energy payment decreases, as well as price increases.
- The final rule reverts to the existing requirement for retailers to provide five business days notice of any price increases or energy payment decreases for those price increases or energy payment decreases that occur in the month of July, rather than the requirement in the draft rule for retailers to provide 20 business days notice.
- Retailers will still be required to provide 20 business days notice of any price increases or energy payment decreases to their customers for fixed price period contracts (those contracts that fix the price for a set period of time from the date the contract commences).
- The final rule removes the requirement for retailers to provide advance notice for price decreases or energy payment increases to their customers. As noted earlier, this will avoid delays to customers receiving the benefit. Retailers will be required to provide notice as soon as practical after the change occurs and no later than the next bill.

## The final rule promotes the NERO and advances equity by informing, empowering and protecting consumers

- 38 The Commission has considered the National Energy Retail Objective (NERO),<sup>2</sup> the consumer protections test and the issues raised in the rule change request by applying the assessment criteria that we first outlined in the consultation paper. For this final determination, we also had regard to promoting equitable energy outcomes. This complements the new guidance we have

<sup>2</sup> Section 13 of the NERL.

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.

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We consider the final rule provides important protections to consumers while supporting more effective competition by improving the information available to consumers. While there may be costs to retailers, we have crafted the rule to minimise these costs, and note that any foregone revenue will likely arise from reducing high margins, and not from limiting cost recovery. The more preferable final rule will contribute to achieving the NERO in these ways:

- **Outcomes for consumers:** The final rule will help improve outcomes for consumers by strengthening consumer protections relating to benefits and price certainty, particularly for consumers who 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. In particular, it removes retail fees for vulnerable consumers, and removes the price penalty for consumers who can not engage with the market and are on contracts with expiring benefits or unreasonable penalties.
- **Principles of market efficiency:** The final rule will 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 final rule will 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 will pay. The final rule will 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 final rule will 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 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 final rule appropriately balances principles and prescription to minimise costs and improve compliance. For example, it applies prescription in relation to vulnerable consumers by prohibiting retail fees and applies principles by using the principle of reasonable estimates of retailer costs to fees for other consumers. The final rule also aims to promote simplicity and transparency for stakeholders. It improves compliance and enforcement by clearly identifying 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 final rule will come into effect on 1 July 2026

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The final rule will come into effect on 1 July 2026. This applies across all substantive components of the final rule, which encompasses all four consolidated rule change requests.

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The Commission considers a 12-month implementation timeframe is appropriate. It will enable retailers to update their contracts and plan effective communications with their customers.



Retailers must notify their customers of the changes that affect them 20 business days before 1 July 2026, which will be 11 June 2026.

- 42 The AER will need to review and if necessary amend a relatively limited number of its existing guidelines, over a staggered timeframe. We note that the AER is updating its retail guidelines and procedures.<sup>3</sup> The Commission has worked with the AER on the timeframes for guideline updates, in preparing the final determination, and the final rule seeks to align with the AER's processes.
- 43 The AER will be required to update the *Benefit change notice guidelines* by 1 July 2026, the *Customer hardship policy guideline* by 30 September 2026 and the *AER Retail pricing information guidelines* by 31 December 2026 under the final rule.
- 44 We have considered enforcement and compliance when developing prescriptive and principle based aspects of the final rule. This approach will minimise costs to retailers, while ensuring there are clear requirements that can be checked for compliance by the AER and energy ombudsmen relatively simply compared to alternatives.
- 45 We plan to recommend to energy ministers that the requirement that retailers not charge any fees (except for network charges) to vulnerable customers be a tier 1 civil penalty provision, consistent with similar rules within the NERR.
- 46 We plan to recommend that five of the requirements under the final rule should be tier 2 civil penalty provisions, consistent with similar rules within the NERR.
- 47 We consider that the recommended civil penalty provisions are not only consistent with the penalties in the current rules but would also improve the effectiveness of the rules by strengthening compliance and enforcement arrangements. The AER agrees with these recommendations.

3 [The AER is reviewing and updating its retail guidelines in 2025 and 2026](https://www.aer.gov.au/news/articles/communications/aer-reviewing-four-retail-guidelines-2025-and-2026), <https://www.aer.gov.au/news/articles/communications/aer-reviewing-four-retail-guidelines-2025-and-2026>.

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# 1 The Commission has made a final determination

This final determination makes a final more preferable retail rule (final 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) (the proponent). The rule change requests sought to amend the National Energy Retail Rules (NERR) to make changes to retail energy contracts.<sup>4</sup> The four rule change requests are:

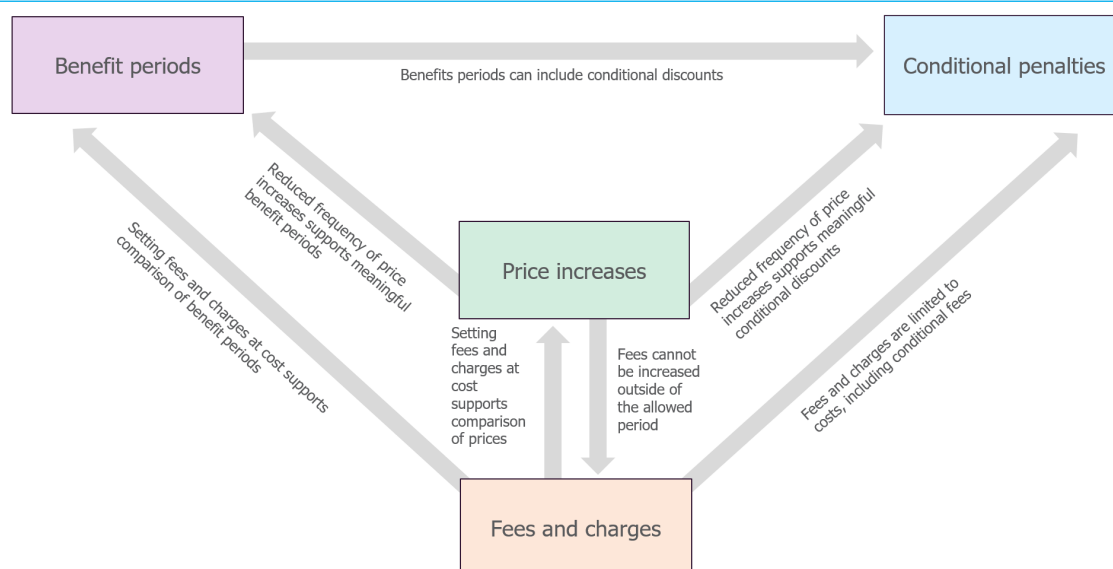
- Ensuring energy plan benefits last the length of the contract
- Removing unreasonable conditional discounts
- Preventing price increases for a fixed period under market retail contracts
- Removing fees and charges.

These rule change requests form part of the broader ECMC consumer rule change package submitted on 12 and 28 August 2024. The package involves seven rule change requests that together seek to help households access cheaper energy deals, increase support for people experiencing hardship and deliver more protections for consumers.<sup>5</sup>

Our final rule improves the provision of information to consumers which helps empower them to make informed decisions about their energy contracts and seeks to improve consumer protections.

We have consolidated the four rule change requests into one rule change process— [Improving consumer confidence in retail energy plans](#). The Commission found that there are many interactions between the rule changes that have become clear through stakeholder submissions and our own analysis. Specifically, they work together to address interrelated issues around the clarity and fairness of market retail contracts. See Figure 1.1 below.

**Figure 1.1: Interrelations between the four rule changes**



<sup>4</sup> See the consultation paper [here](#).

<sup>5</sup> The package of consumer related rule change requests include: [Ensuring energy plan benefits last the length of the contract](#); [Preventing price increases for a fixed period under market retail contract](#); [Removing fees and charges](#); [Removing unreasonable conditional discounts](#); [Assisting hardship customers](#); [Improving the ability to switch to a better offer](#) and [Improving the application of concessions to bills](#).

This final determination has the following sections:

- This chapter, chapter one, provides an overview of what our final rule will introduce and the inputs we have considered, including stakeholder feedback and how the final determination relates to the Australian Energy Market Commission's (AEMC or Commission) [strategic priorities](#) and other broader reforms.
- Chapter 2 sets out our assessment framework and summarises how the Commission considers the final more preferable rule will contribute to achieving the National Energy Retail Objective (NERO).
- Chapters three to six outline how our final rule will work in terms of obligations on retailers, how it seeks to improve outcomes for consumers and provides supporting reasoning for the final rule:
  - Chapter 3 outlines our final rule on improving protections for customers on contracts with benefits that expire or change
  - Chapter 4 outlines our final rule on removing unreasonable conditional penalties
  - Chapter 5 outlines our final rule on restricting price increases under market retail contracts
  - Chapter 6 outlines our final rule on restricting retail fees.
- Appendix A sets out the rule making process.
- Appendix B sets out the relevant legal tests and requirements, and notes our planned civil penalty recommendations.
- Appendix C sets out the changes between the draft and final rule.

## 1.1 Our final rule will improve energy consumers' confidence with their energy plans

The final determination improves consumer protections for small customers (predominantly households) on retail energy contracts, and increases the certainty and transparency of the prices they will pay. It resolves specific systemic issues relating to these contracts across four key policy positions.

The final rule will make these changes, for both new and existing contracts:

- Improves protections for customers on contracts with benefits that expire or change by:
  - limiting the prices a customer will pay to the standing offer price if their benefits change or expire
  - removing the ability for retailers to de-energise carry-over customers (while still allowing them to de-energise move in customers) on deemed customer retail arrangements if they do not engage with their retailer.
- Removes unreasonable conditional penalties by:
  - requiring unreasonable conditional discounts relating to payment timing or payment method, including those found in existing contracts, to be applied in full regardless of whether the customer met the condition.
- Restricts price increases and energy payment decreases under market retail contracts by:
  - only allowing retailers to increase prices or decrease energy payments once every 12 months, either:
    - within the month of July each year, or

- no earlier than the anniversary of the contract and no sooner than 12 months from the previous price increase, where the contract has a fixed price for a period of time after the contract start date.
- allowing price decreases or energy payment increases to take place immediately by updating notification requirements.
- Restricts retail fees by:
  - prohibiting all fees, except fees that are network charges, for vulnerable consumers<sup>6</sup>
  - for all other consumers, prohibiting the following fees (except fees that are network charges):
    - fees that are higher than a reasonable estimate of the cost incurred by the retailer in providing the relevant service
    - account establishment fees
    - fees for re-energisation/de-energisation, and
    - fees for meter reads at the start and end of customer contracts.

The final rule includes a 12-month transition period for retailers to comply with the final rule. The final rule will take effect on 1 July 2026.

## 1.2 Stakeholder feedback has shaped our final determination

Stakeholder input and feedback helped shape the Commission’s considerations and final determination. We considered feedback to our consultation paper and draft determination obtained via written submissions and held multiple bilateral discussions with a range of stakeholders that brought further depth to our understanding of the issues relating to the four rule change requests.

We have taken this feedback into account and our final rule will improve the transparency and certainty of market retail contracts and reduce the ‘loyalty penalty’ for those consumers who do not wish to or are unable to engage.<sup>7</sup>

### 1.2.1 Most stakeholders were supportive of extending protections for consumers with expiring benefits

The final rule provides additional protections to customers on plans with benefits that change or expire. Consumer groups, energy ombudsmen, and some retailers were supportive of the draft rule, considering it a proportionate response to the identified problem, that will provide certainty, improve fairness, support consumer trust and confidence, reduce bills, and improve consumer outcomes for affected consumers.<sup>8</sup>

However, some retailers expressed concern with the timing, application, and proportionality, and possible competition impacts of the draft rule.<sup>9</sup> In particular some retailers expressed concern that the rule would apply to existing contracts and recommended the rule only applies to new contracts.<sup>10</sup> We considered these views but concluded that it was important for the final rule to apply to both existing and new contracts to make it address this issue for disengaged consumers facing loyalty penalties.

<sup>6</sup> The final rule will apply to hardship customers, customers experiencing payment difficulty and customers affected by family violence.

<sup>7</sup> The ‘loyalty penalty’ is the difference in prices that customers on old offers pay compared to new offers.

<sup>8</sup> Submissions to the draft determination: AEC, p. 1; EWON, EWOQ, EWOSA, p. 2; ECA, p. 2; AER, p. 1; Origin, p. 1; JEC, p. 2; Red and Lumo, p. 3; IPART, p. 2; Momentum, p. 1.

<sup>9</sup> Submissions to the draft determination: Alinta, p. 4; Engie, p. 1; AGL, pp. 3-7; Energy Australia, pp. 1, 8.

<sup>10</sup> Submissions to the draft determination: AEC, p. 2; Alinta, p. 3; Engie, p. 2; AGL, p. 3.

The final rule also improves customer protections by restricting retailers from de-energising carryover customers on deemed customer retail arrangements (while maintaining the status quo for move-in customers). Stakeholder feedback helped shape the Commission's decision to reduce the risk of de-energisation for these consumers in the final rule, while noting the importance of the existing provisions for move-in customers who would have been captured under the draft rule.<sup>11</sup>

### 1.2.2 Most stakeholders supported removing high conditional penalties

Most contracts with high conditional penalties relating to payment timing or method have been in place since prior to 1 July 2020, when the AEMC's [Regulating conditional discounting rule change](#) prevented them from being included in new offers. The Australian Competition and Consumer Commission (ACCC) has noted vulnerable consumers are at most risk from these contract types.<sup>12</sup>

Most stakeholders broadly supported the policy outlined in the draft determination, and extending protections to customers with high conditional penalties.<sup>13</sup> However, some retailers maintained concerns regarding the proportionality and appropriateness of the response.<sup>14</sup>

We balanced this feedback in making our determination and have extended protections for consumers in a comparatively low-cost solution that will achieve the intent of the rule change request.

### 1.2.3 Stakeholders largely support only allowing price increases to occur once every 12 months

Most stakeholders were supportive of the rule limiting price increases to once every 12 months.<sup>15</sup> In particular, retailers supported the flexibility to implement a price increase, if necessary, within the month of July rather than on a fixed date.<sup>16</sup> This is because it provides retailers flexibility to stagger price increases by customer cohorts and reduce the burden of setting prices to a single date.<sup>17</sup>

Retailers overwhelmingly did not support the proposal to increase the advance notice period to 20 business days due to it creating significant operational costs and timing issues.<sup>18</sup> The key reasons were that the price setting period is a resource intensive period and 20 business days notice would increase the resourcing demand.

Further, the timing would be challenging to achieve in practice as the AER's release of the default market offer (DMO) can be unpredictable and can occur in late May.<sup>19</sup> Retailers rely on the DMO to update prices in line with network price updates within the month of June.

Origin also highlighted that extending the price notification requirements applies to both price increases and decreases under the draft rule, and recommended consideration of this.<sup>20</sup>

11 Submissions to the draft determination: Alinta, p. 5; EnergyAustralia, p. 8; Engie, p. 4; Origin, p. 3; AGL, p. 6; EWON, EWOQ, EWOSA, pp. 2-3; ECA, p. 2.

12 ACCC, *Inquiry into the NEM*, June 2024, p. 65.

13 Submissions to the draft determination: AEC, p. 1; EWON, EWOQ, EWOSA, p. 2; ECA, p. 3; AER, p. 1; EnergyAustralia, p. 9; Origin, p. 5; JEC, p. 5; AGL, p. 7.

14 Submissions to the draft determination: Engie, p. 4; Red & Lumo, p. 3; Alinta, p. 3.

15 Submissions to the draft determination: ECA, p. 3; JEC, p. 3; Energy Locals, p. 1; EnergyAustralia, p. 9; Origin, p. 2; Engie, p. 5; AGL, p. 10; Momentum, p. 2; EWON, EWOQ, EWOSA, p. 4.

16 Submissions to the draft determination: ECA, p. 3; JEC, p. 3; EnergyAustralia, p. 9; Engie, p. 5; AGL, p. 10; Momentum, p. 2; Origin, p. 2.

17 Submissions to the draft determination: Origin, p. 2; EnergyAustralia, p. 9; AGL, pp. 10-11.

18 Submissions to the draft determination: AEC, p. 2; Energy Locals, p. 2; Alinta, p. 6; EnergyAustralia, p. 9; Engie, p. 5; Origin, p. 2; Red & Lumo Energy, p. 2; AGL, pp. 11-12; Momentum, pp. 2-3.

19 Submissions to the draft determination: AEC, p. 2; Energy Locals, p. 2; Alinta, p. 6; EnergyAustralia, p. 9; Engie, p. 5; Origin, p. 2; Red & Lumo Energy, p. 2; AGL, pp. 11-12; Momentum, pp. 2-3.

20 Origin, submission to the draft determination, p. 2.

This feedback has shaped the Commission's decision to keep the existing requirement for retailers to provide five business days notice for any price increases or energy payment decreases for contracts where prices may change in July. We have also removed the requirement for advance notice of a price decrease or energy payment increase as it is in customers' best interests for these changes to apply as soon as possible. See chapter 5 for further details.

#### 1.2.4 Stakeholders agreed that fees disproportionately affect vulnerable consumers

Most stakeholders expressed support of the subsequent policy intention to prohibit fees and charges for vulnerable consumers in the draft rule.<sup>21</sup> The draft rule reflected stakeholder feedback to the consultation paper that fees and charges can disproportionately affect consumers experiencing vulnerability.<sup>22</sup> However, retailers were concerned with the practical operation of the rule in relation to concession customers.<sup>23</sup>

Specifically, retailers raised that including customers receiving a 'rebate, concession or relief under any government funded energy charge rebate, concession or relief scheme' may capture customers who are not vulnerable, including those receiving the Commonwealth Energy Bill Relief rebate.<sup>24</sup>

In response to this feedback we have removed the application of the final rule to customers receiving a concession. We consider the regulatory costs would be too high and applying the rule to the existing categories of vulnerable customers under the Law and Rules will minimise unintended consequences. For further details see chapter 6.

Retailers did not support any limitation on a retailer's ability to pass through network fees because these fees are costs outside the retailer's direct control and are already regulated by the AER.<sup>25</sup> AGL and Engie additionally raised that existing provisions under the National Electricity Rules (NER) and National Gas Rules (NGR) prohibit distribution networks from recovering charges from a retailer if a retailer is not permitted to recover network charges from the shared customer.<sup>26</sup>

For these reasons the final rule will allow retailers to pass through fees charged by networks. The final rule allows retailers to charge a range of fees to non-vulnerable consumers but restricts any fees to a reasonable estimate of the retailer's costs. This allows retailers to provide price signals, whilst restricting retailers from profiting unreasonably from services that can only be sought from the retailer during the contract term.

### 1.3 The final determination aligns with our strategic direction

The final determination aligns with our consumer area of focus under our strategic vision for A *consumer-focused net-zero energy system* and our strategic priorities.<sup>27</sup> This area of focus is how we inform, empower and protect consumers. The final rule improves the provision of information to consumers which helps empower them to make informed decisions about their retail energy contracts. The final rule will improve consumer protections by reducing or banning additional fees,

21 Submissions to the draft determination: EWON, EWOQ, EWOSA, p. 4; ECA, p. 3; EnergyAustralia, p. 9; Engie, p. 7; Red & Lumo Energy, p. 4; AGL, p. 8; Momentum, p. 1; JEC, p. 4.

22 Submissions to the consultation paper: AEC, p. 3; Council on the Ageing, p. 4; ECA, pp. 11-14; Engie, p. 7; EWON, EWOQ, EWOSA, pp. 4-5; JEC, pp. 14-15.

23 Submissions to the draft determination: EnergyAustralia, pp. 9-10; Momentum, p. 1; AEC, p. 2; Energy Locals, p. 3; AGL, p. 8; Alinta, p. 7; Origin, p. 4; Red & Lumo Energy, p. 4.

24 Submissions to the draft determination: AGL, p. 8; Red & Lumo Energy, p. 4; Momentum, pp. 1-2; Energy Locals, p. 3; Engie, p. 7; EnergyAustralia, pp. 9-10.

25 Submissions to the draft determination: Energy Locals, p. 3; Red & Lumo Energy, p. 4; Origin, pp. 4-5; AEC, p. 2; Alinta, p. 7; AGL, p. 9; Engie, p. 8.

26 Submissions to the consultation paper: AGL, pp. 9-10; Engie, p. 8.

27 See the AEMC's A *consumer-focused net-zero energy system* [here](#).



reducing the number of price increases permitted in a 12-month period and providing improved certainty around the payment of contract benefits.

We considered consumer behaviours and preferences in developing our policy positions for the final determination and final rule. Providing ways for consumers to benefit without active market engagement - in line with our consumer facing goal - was a key consideration, as was equitable energy outcomes across households.<sup>28</sup> We have considered equity factors as per our assessment framework for this rule change package; see chapter 2 for further details.

## 1.4 There are broader reforms that intersect with the rule change

Our final determination complements other work being carried out in this space, including broader reforms.

### 1.4.1 Australian Energy Regulator's (AER's) review of payment difficulty protections in the National Energy Customer Framework (NECF)

The AER has recently finalised its *Review of the payment difficulty protections in the NECF* with the release of a findings report in May 2025.<sup>29</sup> The review forms part of the AER's broader program Towards energy equity – a strategy for an inclusive energy market.<sup>30</sup>

The AER considered whether there is a case for change to strengthen protections for customers experiencing payment difficulty to ensure that they are proactively identified, engaged early and supported appropriately with assistance that is tailored to their individual circumstances. The AER has identified 13 opportunities to improve the framework.<sup>31</sup>

### 1.4.2 The Victorian Essential Services Commission is also conducting a review of related consumer package reforms as part of its review of the Energy Retail Code of Practice

The Essential Services Commission Victoria (ESC VIC) is also considering the same package of consumer reforms from the proponent.<sup>32</sup> Some issues identified in the rule change requests have been addressed or partly addressed in the ESC VIC's 2020 'Ensuring energy contracts are clear and fair' final decision.<sup>33</sup>

This review is working to address the relevant consumer package rule changes, as well as clarify or update obligations identified as unclear or inconsistent.

ESC Vic recently released its draft decision, indicating preferred positions that broadly align with, or extend beyond, our final rule.<sup>34</sup> We note the Victorian Retail Code provides more flexibility to address issues raised in the rule change requests as the Explicit Informed Consent (EIC) provisions are in the Retail Code. In contrast, the NECF EIC requirements are set out in the National Energy Retail Law (NERL), which the Commission cannot amend, so any changes to the NECF EIC will require a change to the Law agreed by energy ministers.

28 AEMC, *A consumer-focused net-zero energy system*, October 2024, p. 15.

29 See the findings report [here](#).

30 AER, *Towards energy equity - a strategy for an inclusive energy market*, 20 October 2022.

31 AER, *Review of payment difficulty protections in the National Energy Customer Framework*, 15 May 2025, p. 2.

32 See the ESC's website for its current review of the Energy Retail Code and energy consumer reforms [here](#).

33 See the ESC's 2020 decisions on 'clear and fair contracts' [here](#).

34 Essential Service Commission Victoria, *Energy Consumer Reforms - Draft decision, Regulatory impact statement*, 16 May 2025.

### 1.4.3 DCCEEW's Better Energy Customer Experiences process is reviewing energy-specific consumer protections

The Commonwealth Department of Climate Change, Energy, the Environment and Water (DCCEEW) is progressing a review of the protection frameworks that support customers to engage with the energy market, to ensure they are suitable and effective, in recognition that people's use of electricity and gas is changing.<sup>35</sup>

The key focus of the review will be the NECF, given it is the national regulatory framework that provides energy specific protections to consumers. Consideration will also be given to other related legislation, frameworks and policy settings including the Australian Consumer Law, state and territory-based legislation, and the New Energy Tech Consumer Code.

This process is ongoing, and the issues being addressed in this final rule are of relevance to the issues and themes being considered by the Better energy customer experiences (BECE) process.

### 1.4.4 Our pricing review will examine retail market arrangements and the role of retailers

Our [pricing review](#) will examine, among other things, the broader future operation of the retail electricity market, such as:

- ensuring the market arrangements provide for pricing structures that meet consumer expectations
- the role of the retailer in packaging and pricing electricity products.

The final [Improving consumer confidence in retail energy plans](#) rule addresses systemic issues with the current arrangements. It intersects with the pricing review through:

- changes to fixed price periods and any potential impacts on innovative products and services
- how retailers provide incentives through contract benefits.

35 DCCEEW, Better Energy Customer Experiences, homepage: <https://consult.dcceew.gov.au/better-energy-customer-experiences>

## 2 The final rule will contribute to the energy objectives

### 2.1 The Commission must act in the long-term interests of energy consumers

The Commission can only make a rule if it is satisfied that the rule would or is likely to contribute to the achievement of the relevant energy objectives.<sup>36</sup>

For this rule change, the relevant energy objective is the NERO.

The NERO is:<sup>37</sup>

to promote efficient investment in, and efficient operation and use of, energy services for the long term interests of consumers of energy with respect to—

- (a) price, quality, safety, reliability and security of supply of energy; and
- (b) the achievement of targets set by a participating jurisdiction—
  - (i) for reducing Australia’s greenhouse gas emissions; or
  - (ii) that are likely to contribute to reducing Australia’s greenhouse gas emissions.

The targets statement, available on the AEMC website, lists the emissions reduction targets to be considered, as a minimum, in having regard to the NERO.<sup>38</sup>

### 2.2 We must also take these factors into account

#### 2.2.1 We have considered whether to make a more preferable rule

The Commission may make a rule that is different, including materially different, to a proposed rule (a more preferable rule) if it is satisfied that, having regard to the issue or issues raised in the rule change request, the more preferable rule is likely to better contribute to the achievement of the NERO.<sup>39</sup>

For these rule changes, the Commission has made a more preferable final rule and is satisfied that it will contribute to achieving the NERO. The reasons why the final rule is more preferable are set out in chapters 3-6.

#### 2.2.2 We have considered the consumer protections test for this rule change

In addition to applying the NERO, the Commission must, where relevant, satisfy itself that the rule is “compatible with the development and application of consumer protections for small customers, including (but not limited to) protections relating to hardship customers” (the consumer protections test).<sup>40</sup>

Where the consumer protections test is relevant in making a rule, the Commission must be satisfied that both the NERO test and the consumer protections test have been met.<sup>41</sup> If the Commission is satisfied that one test, but not the other, has been met, the rule cannot be made (noting that there may be some overlap in the application of the two tests).

<sup>36</sup> Section 236(1) of the NERL.

<sup>37</sup> Section 13 of the NERL.

<sup>38</sup> Section 224A(5) of the NERL.

<sup>39</sup> Section 244 of the NERL.

<sup>40</sup> Section 236(2)(b) of the NERL.

<sup>41</sup> Sections 236(1) and (2)(b) of the NERL.

The Commission is satisfied that the final rule meets the consumer protections test for the reasons set out in section 2.3 below.

## 2.3 How we have applied the legal framework to our decision

The Commission has considered the NERO, the consumer protections test and the issues raised in the rule change requests, and has assessed the more preferable rule against the four assessment criteria outlined in the consultation paper.

We identified the following criteria to assess whether the rule changes proposed by the proponent, no change to the rules (business-as-usual), or other viable, rule-based options are likely to better contribute to achieving the NERO. The Commission also considered equity and the impacts on and barriers to participation for vulnerable consumers as part of the assessment criteria on consumer outcomes.

The AEMC has developed new guidance to ensure issues of equity are consistently and transparently addressed in a structured way when we are making rule changes and delivering recommendations – putting a consistent focus on accounting for the diversity of consumer needs, experiences and preferences; removing structural barriers to participation; and avoiding creating or exacerbating vulnerability. The ECMC consumer package is the first time the Commission is applying the equity framework and considerations explicitly in our assessment criteria and decisions.<sup>42</sup>

The four assessment criteria are:

- **Outcomes for consumers.** We considered the impact of the final rule on consumer protections and opportunities and costs for consumers, including for different consumer types. We also considered whether the final rule will be compatible with consumer wants and needs.
- **Principles of market efficiency.** We considered the impact of changes to retail contracts on retail competition, allocation of risks and costs between retailers and consumers and transparency of energy plans.
- **Implementation considerations.** We considered costs to relevant parties, any interactions with other processes and whether there are any impacts on market bodies, jurisdictions or across different groups of consumers. This includes removing barriers to enabling all consumers to access benefits relating to energy.
- **Principles of good regulatory practice.** We considered whether principle-based approaches are more appropriate than prescriptive approaches, whether the final rule will promote simplicity and transparency for all stakeholders and any interactions with other work underway.

In the consultation paper, we asked stakeholders for feedback on our proposed assessment framework. Stakeholders broadly supported the proposed assessment framework.<sup>43</sup> The ECA considered that the Commission should place greater weight on the ‘outcomes for consumers’ criteria, as the purpose of the rule change requests is to better protect consumers.<sup>44</sup> Energy Locals noted that prioritising ‘outcomes for consumers’ above other criteria may impose serious costs on retailers.<sup>45</sup> The Commission has considered this feedback and considered each of the four assessment criteria throughout the rule change process and balanced them as appropriate.

42 See AEMC guidance on “How the national energy objectives shape our decisions”, available at <https://www.aemc.gov.au/sites/default/files/2025-03/How%20the%20national%20energy%20objectives%20shape%20our%20decisions%20260325.pdf>.

43 Submissions to the consultation paper: Alinta, p. 3; ECA, p. 4; Energy Locals, p. 2; EnergyAustralia, p. 3; SACOSS, p. 3.

44 ECA, submission to the consultation paper, p. 4.

45 Energy Locals, submission to the consultation paper, p. 2.

The final rule will contribute to achieving the NERO and will meet the consumer protections test based on each area of the assessment framework, as outlined below.

### 2.3.1 **The final rule will improve outcomes for consumers by making retail energy contracts more transparent and protecting consumers who can not engage**

The final rule will improve outcomes for consumers by resolving specific systemic issues relating to retail contracts. Resolving these issues will improve consumer protections for customers on retail energy contracts, increase the certainty and transparency of the prices they will pay and provide greater confidence in the retail energy market. The final rule will also extend and establish protections for consumers who do not regularly switch retailers.

We considered the impact of the final rule on consumer protections and opportunities and costs for consumers, including for different consumer types. We also considered whether the rule changes are compatible with consumer wants and needs.

The final rule will strengthen and enhance protections for consumers on market and standard contracts by ensuring:

- customers do not pay more than the standing offer price when their contract's benefit period changes or expires
- carryover customers on deemed customer retail arrangements are protected from de-energisation if they have not engaged with their retailer
- unreasonable conditional penalties for not paying on time or in a certain way are removed
- customers on grandfathered contracts with high conditional discounts receive their discount regardless of whether they meet their payment condition
- consumers have certainty about how long their prices will last and when prices may change
- fees are removed for vulnerable consumers (excluding network charges) and limited to a retailer's reasonable estimate of its costs for all other consumers.

The final rule also considered equity in relation to certain segments of consumers, including disengaged and vulnerable consumers, who will be provided extra protections.

It will do this by improving transparency and clarity for consumers when they sign up around what prices they will actually pay, including when their contract contains benefits. It will also ensure vulnerable consumers are not burdened by fees they cannot respond to and it will lessen the 'loyalty penalty' faced by disengaged and vulnerable consumers that do not regularly switch plans.<sup>46</sup>

### 2.3.2 **The final rule is likely to promote market efficiency by balancing risks between retailers and consumers**

The final rule will likely maintain or promote market efficiency by promoting retail competition on price and quality, by establishing norms around benefits and price increases, and removing fees associated with the costs of doing business. This will increase consumer confidence in the products they are purchasing when they engage in the market, make it easier for consumers to compare plans and less costly for them to switch.

We considered the impact of changes to retail contracts on retail competition, allocation of risks and costs between retailers and consumers and transparency of market offers.

<sup>46</sup> ACCC, *Inquiry into the NEM*, December 2023, p. 9.

We consider that the final rule allocates risks and costs appropriately between retailers and consumers by making sure consumers do not bear the risk of frequent price increases and/or high underlying prices if benefit periods end. Restricting fees to a reasonable estimate of the retailer's costs for all consumers also ensures that costs are transparent.

The final rule will also promote the efficiency of the retail energy market by reducing some barriers to switching retailers, which may improve the competitiveness of the market.

### 2.3.3 The final rule will minimise implementation costs and complexity

The final rule will minimise implementation costs as it provides retailers with some flexibility to consider and implement different approaches that may be lower in cost for their billing operations and/or systems. We consider it will minimise costs and complexity for retailers and consumers by:

- Applying grandfathered conditional discounts unconditionally, meaning retailers can simplify calculations to ensure consumers are no worse off and lowering costs to consumers.
- Allowing contracts to continue once a benefit period ends at a price no higher than the standing offer price - this will allow leeway for retailers to offer a competitive price.
- Setting July as the month in which prices can increase, as this aligns with the timing of changes to standing offers and network price changes. This will allow retailers to more easily manage risks and to take advantage of economies of scale, and will improve certainty for consumers as they will not be subject to multiple price rises within a year.

### 2.3.4 The final rule will provide an appropriate balance of principles and prescription

The final rule will provide a mix of flexible and prescriptive regulatory approaches.

The final rule affords retailers:

- flexibility to increase their prices any time in July, rather than setting a specific date on which prices can increase
- leeway in determining ongoing prices for consumers with expiring or changing benefits, while still creating a backstop for prices in these plans
- a principle of following a reasonable estimate of retailer costs to allow them to charge a range of fees to non-vulnerable consumers.

The final rule also applies prescriptive regulation where transparency and consumer harms are to be mitigated, including:

- prohibiting all fees, except network charges, for vulnerable consumers
- limiting price rises to once every 12 months
- requiring retailers to charge no more than the standing offer price for customers whose benefits have ended but the contract continues.

### 3 Improving protections for customers on contracts with benefits that expire or change

The Commission has made a final rule that will improve consumer confidence and bolster protections for customers on contracts where the benefits do not last the length of the contract. This is to reduce the loyalty penalty potentially faced by these customers in the form of higher prices compared to customers who regularly switch to a new offer.

The final rule will do this by:

- limiting the price a customer would pay to the standing offer price if their benefits change or expire, including contracts with benefits that have expired, from 1 July 2026
- restricting retailers from de-energising carry-over customers on deemed standing offers for failing to engage with the retailer
- applying the rule to all contracts where benefits do not last the length of the contract without exemptions for specific plans or incentives
- requiring the AER to update its *Benefits change notice guidelines* to reflect the final rule
- requiring retailers to notify customers affected by the new rules by 1 July 2026.

There was one change from the draft to final rule relating to de-energisation of customers on deemed customer retail arrangements. The final rule limits the restriction on retailers de-energising customers on deemed customer retail arrangements to carry-over customers and maintains the status quo in the current rules for move in customers.

#### 3.1 Contracts will be limited to the standing offer price when benefits change or expire

##### **Box 1: Final determination - contracts with expired or changing benefits will be limited to the standing offer price**

The final rule will introduce a consumer protection that retailers will be required to limit the prices that customers pay to the standing offer prices (or less) if the customer is on a contract where the benefits expire or change before the contract ends.

The final rule will apply to both existing and new contracts with benefit periods, and will apply in the following way:

- For new contracts, retailers must ensure that the price does not exceed the standing offer price when a benefit period ends (or specify that benefits continue for the life of the contract).
- For existing contracts where the benefit period ends before the rule takes effect (mid-2026), the retailer must charge the customer no more than the standing offer prices from the effective date of the rule, and must notify the customer of the change.
- For existing contracts where the benefit period ends after the rule takes effect, the retailer must charge the customer no more than the standing offer prices from the end of the benefit period, and must notify the customer under the benefit change notice provisions.
- In all cases, if the post-benefit prices under the contract are already lower than or equal to the standing offer prices, there is no change.

This component of the final rule is the same as the draft rule.



### 3.1.1 The final rule will improve protections for customers if their contracts contain time-limited benefits

The final rule will introduce a requirement for retailers to restrict the prices that customers pay if they are on a contract where the benefits expire or change before the contract ends. The final rule will apply to both existing and new contracts and will apply in the following way:<sup>47</sup>

- For new contracts, retailers must ensure that the price does not exceed the standing offer price when a benefit period ends (or specify that benefits continue for the life of the contract).
- For existing contracts where the benefit period ends before the rule takes effect (mid-2026), the retailer must charge the customer no more than the standing offer prices from the effective date of the rule, and must notify the customer of the change.
- For existing contracts where the benefit period ends after the rule takes effect, the retailer must charge the customer no more than the standing offer prices from the end of the benefit period, and must notify the customer under the benefit change notice provisions.
- In all cases, if the post-benefit prices under the contract are already lower than or equal to the standing offer prices, there is no change.

This component of the final rule is the same as the draft rule.

The Commission considers customers on market contracts with benefits that expire should be protected from experiencing high prices once their benefit ends, and have clarity around their contract's potential outcomes. This aligns with the rule change request and feedback from a range of stakeholders, including consumer groups, energy ombudsmen, and some large and small retailers that were supportive of extending extra protections for consumers with expiring benefits in their submissions to the consultation paper.<sup>48</sup> Please see the draft determination for full analysis and feedback to the consultation paper.<sup>49</sup>

Consumer groups, ombudsmen, IPART, and the AER supported the draft rule, suggesting it is a strong, actionable protection that will:<sup>50</sup>

- address the loyalty penalty faced by these customers
- improve fairness, and support consumer trust and confidence
- reduce bills
- improve consumer outcomes.

Some retailers also supported the draft rule, suggesting it was a proportionate response to the identified problem, and that it will provide certainty to consumers on these contracts and enable simpler comparison of offers.<sup>51</sup>

Other retailers opposed the draft rule.<sup>52</sup> EnergyAustralia and AGL considered that the rule should not be progressed ahead of other ongoing reviews that may also impact retail pricing, including the AEMC's Pricing review, and DCCEE's Better Energy Customer Experiences.<sup>53</sup> Alinta considered that the draft rule does not fully reflect the commercial and regulatory environment in which offers are developed, and that existing regulations would meet the intent of the rule change without further intervention.<sup>54</sup>

47 See final rule 48C and final rule 7 of Part 20, Schedule 3 of the NERR.

48 Submissions to the consultation paper: Consumer groups, p. 9; ECA, p. 6; EnergyAustralia, p. 6; JEC, p. 9; Origin, p. 1; SACOSS, p. 9.

49 AEMC, Improving consumer confidence in retail energy plans, draft determination, 27 March 2025, pp.11-21

50 Submissions to the draft determination: AEC, p. 1; EWON, EWOQ, EWOSA, p. 2; ECA, p. 2; AER, p. 1; Origin, p.1, JEC, p. 2; Red and Lumo, p. 3; IPART, p. 2.

51 Submissions to the draft determination: Momentum, p. 1; Origin, p. 1; Red and Lumo, p. 3, AEC, p. 1.

52 Submissions to the draft determination: Alinta, p. 4; Engie, p. 1; AGL, pp. 3-7; Energy Australia, p. 8.

53 Submissions to the draft determination: AGL, p. 3; Energy Australia, p. 1.



Of particular concern for these retailers is the rule's application to ongoing contracts, and the extension of price protections to market contracts (retailers often referred to this as "retrospective application of the rule").<sup>55</sup> The Commission has not made a retrospective rule, as the rule applies only from the commencement date onwards. However, the Commission considers it is important that the rule applies to contracts on foot from the date the rule commences. See section 3.1.3 for more details.

The final rule achieves the intent of the rule change request by providing protections to disengaged consumers. It does this by limiting the magnitude of the unilateral price increases a retailer could make to the standing offer price, matching or exceeding the level of protection suggested in the rule change request. The Commission considers that managing risks on behalf of consumers is a key role for retailers, and that the final rule will give customers confidence that they will receive their full benefit - that they will not be penalised with unreasonably high prices if they do not engage at the point of renewal.

We consider limiting prices to the standing offer when a benefit ends improves consumer outcomes compared to the proposed rule. The rule change request proposed that contracts should end when a benefit period ends, with consumers who do not choose a new market offer being placed on a standing offer.<sup>56</sup> The final rule outcomes will be preferable because the rule gives retailers leeway to offer consumers prices below the standing offer price if they wish, without requiring the customer to give their explicit informed consent (EIC).<sup>57</sup> Such an offer could potentially be to the level of a deemed better offer.<sup>58</sup> The final rule could also increase the onus for engagement on the retailer and, therefore, provides positive effects on competition.

The final rule's approach will avoid a potentially large number of customers becoming carry-over customers on deemed customer retail arrangements. See section 3.2 for more details.

By requiring retailers to amend contract terms to comply with the final rule (rather than attempting to move customers to new contracts), retailers will be able to achieve the intent of the rule change within the existing parameters for EIC in the NERL. The Commission notes the final rule will allow retailers to offer competitive prices below the standing offer price for these consumers once the initial benefit period ends.

The Commission plans to recommend a tier 2 civil penalty be adopted for the requirement that the retailer must not charge the small customer an energy rate higher than the retailer's standing offer price when the customer's contract's benefits expire or change. See appendix B.4 for further details on the proposed civil penalty recommendations.

### 3.1.2 The final rule will impact a subset of offers

The final rule may impact some acquisition offers by disincentivising retailers from making some offers with fixed-term benefit periods. However, it will not affect the ability of efficient retailers to offer competitively priced contracts to customers and will not impact the quality of offers being provided. It may push acquisition offers to more closely reflect the cost to serve customers longer term. The Commission expects that impacts to acquisition offers will be largely offset by increased consumer protections and consumer confidence in the energy market.

54 Alinta, submission to the draft determination, p. 4.

55 Submissions to the draft determination: AGL, p. 3; AEC, p. 2; Alinta, p. 3; Energy Australia, p.1; Engie, p. 2.

56 ECMC, *Ensuring energy plan benefits last the length of the contract*, rule change request, p. 3.

57 EIC is required if the customer moves to a new contract, and in certain other circumstances as specified in the NERL.

58 A "deemed better offer" refers to an alternative energy plan identified by the retailer that would be more cost-effective for a customer based on their usage patterns.

The final rule will not:

- prevent retailers from making offers with benefits, either ongoing or time-limited
- change the prices a customer pays if they are on a contract with expired benefits, if the prices the customer is paying are already under the standing offer price
- impact the underlying rates of plans with benefits that continue for the length of the contract.

Retailers were mixed in their views of the impact of the draft rule on competition and offers. Alinta considered the draft rule would not alter the opportunity for retailers to offer customers a new market contract prior to the expiry of any current benefit, including offers that may introduce a new benefit with a future expiry date.<sup>59</sup> However, other retailers raised that the draft rule could change how retailers price for acquisition in the market, assess existing customer pricing, and overall impact how retailers compete, manage risk and recover costs, and could lead to a contraction in product offerings and competition in the market.<sup>60</sup>

- AGL highlighted some products are not easily reconciled with the standing offer contract structure due to the targeted product offerings to certain customer types, and suggested the draft rule would undermine the flexibility needed for retailers to reflect the efficient and targeted price signals for these product types.<sup>61</sup>
- Further, AGL suggested retailers may discontinue to offer fixed benefit contracts, reducing the range of offers available, or elect to terminate the customer's market retail contract in its entirety and place them on a Standard Retail Contract arrangement to avoid a mismatch of market retail terms and conditions and the standing offer prices.<sup>62</sup>
- EnergyAustralia expressed concern that the draft rule could entrench price compression, reduce the diversity of market offers and weaken competition, and highlighted the need for a robust and predictable Default Market Offer (DMO)/Victorian Default Offer (VDO) methodology to safeguard retailer viability.<sup>63</sup>

AGL noted the rule change could impact a significant portion of their customers, changing their risk profile.<sup>64</sup> IPART also noted the significant number of consumers on plans with expired offers, but considered the significant proportion of residential customers paying prices above the DMO a concerning outcome and supported the draft rule.<sup>65</sup> The Commission considers that the final rule provides adequate flexibility for retailers to price plans competitively. While the final rule may disincentivise retailers from offering contracts with expiring benefits, the Commission considers this acceptable as it will address the loyalty penalty faced by these customers, aligning remaining offers to longer-term costs, and improving clarity and comparison of offers.

The Commission also considers only a subset of disengaged customers across retailers will be impacted by the final rule, and that it will have a small impact on the types of offers retailers make. The final rule does not prevent retailers from offering discounts, and will only apply where a consumer does not choose a new market contract at the end of the benefit period. It will also provide retailers with some flexibility as noted above. The Commission considers a closer focus on price, rather than discounts will improve the transparency of offers.

59 Alinta, submission to the draft determination, p. 4.

60 Submissions to the draft determination: Energy Australia, pp. 1,8; Engie, p. 3; AGL, pp.4-5.

61 AGL, submission to the draft determination: p. 5.

62 AGL, submission to the draft determination, p. 5.

63 EnergyAustralia, submission to the draft determination, p. 8.

64 AGL, submission to the draft determination, p. 4.

65 IPART, submission to the draft determination, p. 2.

### 3.1.3 The final rule applies to existing contracts as well as new contracts

The final rule will apply to new and existing contracts. Some retailers proposed that the rule change should only apply to contracts commencing after the rule change is implemented.<sup>66</sup>

They suggested the extension of price protection to market offers is a significant change in regulatory policy that exceeds the issue the rule change proposal sought to address and would increase the risks faced by retailers, potentially leading to unintended consequences, including to offers and retail competition generally (discussed further below).<sup>67</sup> In contrast, JEC strongly supports applying the rule consistently to all contracts, including those where benefits have already expired.<sup>68</sup>

Of particular concern for these retailers is the rule's application to ongoing contracts, and the extension of price protections to market contracts (retailers often referred to this as "retrospective application of the rule").<sup>69</sup> It is important to note that the application of the standing offer price only applies for contracts underway, or new, from the date the rule comes into effect.<sup>70</sup> It does not apply retrospectively for expired contracts, and does not require retailers to repay any difference paid by the customer above the standing offer price prior to the effective date, for either ongoing or expired contracts.

The Commission considered that all consumers should be afforded the same protections under the rules, noting that loyalty penalties accrue particularly to consumers who are disengaged, which will include those on contracts with benefits that have previously expired. Applying the final rule to existing contracts may add costs to retailers as they will be required to notify those customers and (if necessary) amend rates to the standing offer price.<sup>71</sup> However, the Commission considers only applying the rule to new contracts would not protect disengaged consumers on existing contracts.

### 3.1.4 Terminating all contracts when benefits end could lead to some consumers paying more

As noted above, our final rule will not require contracts to end when benefits end as proposed in the rule change request. Instead, it limits the ongoing rate a customer faces once benefits end to the standing offer price. This provides leeway to retailers to offer prices lower than the standing offer if they so choose, which will benefit some consumers. The final rule also reduces the number of customers that would end up as carry-over customers on a deemed customer retail arrangement, compared to the proposed solution in the rule change request.

The following scenarios in the box below highlight potential consumer outcomes based on the final rule, compared to the rule change proposal. All these scenarios involve consumers that are disengaged, and do not choose a new market offer when their benefit expires.

66 Submissions to the draft determination: AGL, p. 3; AEC, p. 2; Alinta, p. 3; Energy Australia, p. 1; Engie, p. 2.

67 Submissions to the draft determination: Alinta, p. 4; Engie, p. 2; AGL, p. 4; Energy Australia, p. 1.

68 JEC, submission to the draft determination, p. 3.

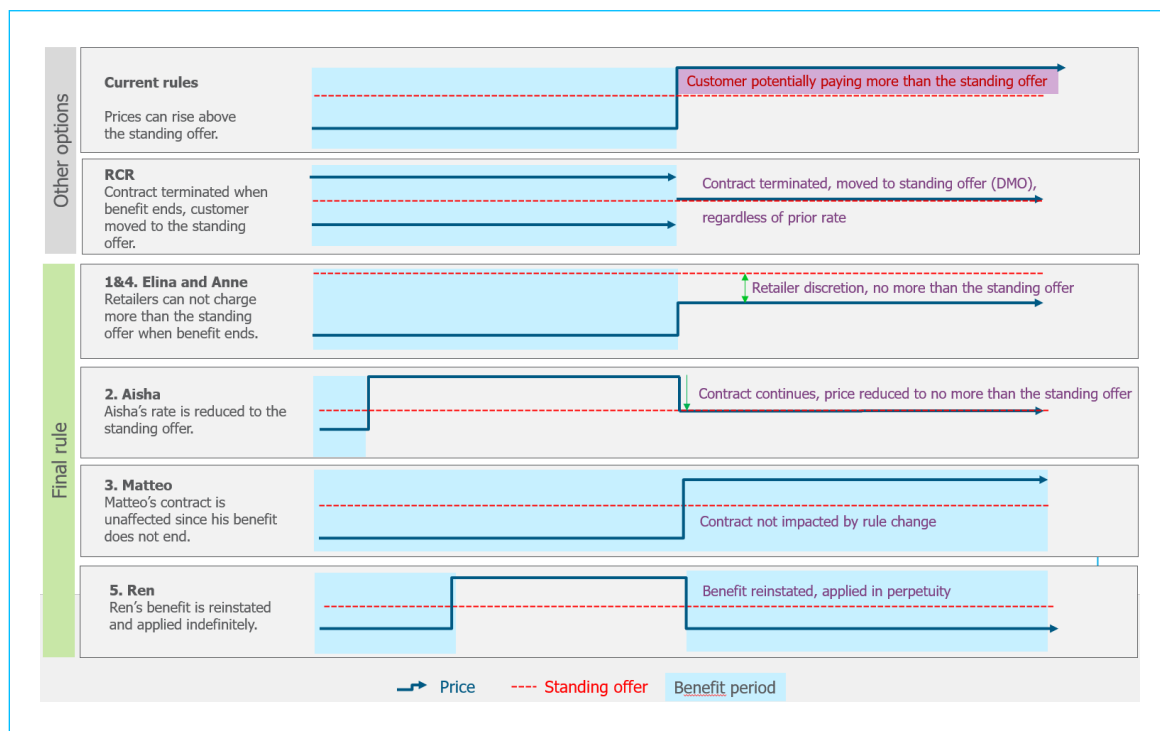
69 Submissions to the draft determination: AGL, p. 3; AEC, p. 2; Alinta, p. 3; Energy Australia, p. 1; Engie, p. 2.

70 Engie, submission to the draft determination, pp. 2-3.

71 Alternatively, retailers could modify their contracts to provide that the benefit continues (or is reinstated) for the length of the contract, in which case the new rule would not apply.

## Box 2: Consumer outcomes from potential alternative policies

1. **Elina's existing contract** - Elina joined a plan two years ago, which offered a benefit for the first year. That benefit has now expired, but the price she pays remains below the standing offer price.
  - Under the rule change proposal, as Elina's benefit has expired she would be moved to a deemed customer retail arrangement (with a maximum price at the DMO) if she does not take up a new offer and provide EIC. This would mean Elina would pay more than she is now under her existing contract.
  - The final rule allows Elina's retailer to maintain her contract at the price she is paying, and protects her from any future move above the standing offer price.
2. **Aisha's existing contract** - Aisha is on a plan with expired benefits, but the price she pays is now above the standing offer price (ie, the DMO).
  - Under the rule change proposal, Aisha's plan would be terminated. She would be moved to a deemed customer retail arrangement (capped at the DMO) if she does not give EIC for a new offer. She would be better off than under the status quo.
  - The final rule will allow Aisha's contract to continue, but her retailer would have to adjust the price to no higher than the standing offer. She would be better off than under the status quo, and no worse off than she would be under the rule change proposal.
3. **Matteo's existing contract** - Matteo joined a plan in 2016, which offered 20 per cent off his bill for the life of the contract. Despite the large discount, Matteo pays more than the DMO due to a high underlying price.
  - Under the rule change proposal, Matteo's plan would not be impacted, since his benefit continues indefinitely.
  - The final rule will not impact Matteo's plan either, since his benefit continues indefinitely.
4. **Anne's new contract** - Anne joins a new plan with no end date that includes a 2-year discount; the underlying rate is below the standing offer price.
  - Under the rule change proposal Anne's plan would end in 2 years when the benefit period ends. She would be moved to a deemed customer retail arrangement if she does not give EIC for a new offer, and may be worse off.
  - The final rule allows Anne's plan to continue once her benefit expires, but at a rate no higher than the standing offer. As her current undiscounted rate is below the standing offer price, her current terms and conditions can continue.
5. **Ren's existing contract** - Ren is on a plan with expired benefits. In response to the final rule her retailer reinstates her benefits and applies them for the remaining life of the contract. While we consider this outcome to be unlikely, under both the rule change proposal and the final rule, Ren would be better off than under the status quo.



Moving customers onto a deemed customer retail arrangement if they do not provide EIC would provide a safety net for those customers whose prices under their market retail contract after the benefit ends would exceed the standing offer price.<sup>72</sup> However, this could disadvantage customers who were paying below the standing offer price once their benefits ended. These customers would then be required to pay more than they were paying under their existing contracts and may lose other terms and conditions they enjoyed under their existing contracts, such as more frequent billing.

There are also some differences in protections for carry-over customers on deemed customer retail arrangements, compared to customers on formal contracts. These are discussed further in section 3.2 below.

### 3.1.5 We considered other options for the final rule

Both JEC and AGL suggested alternative solutions to the draft rule:<sup>73</sup>

- AGL suggested:
  - applying the rule only to new contracts entered into after the effective date (see section 3.1 above), or
  - allowing customers captured by this rule change to be repriced through subsequent price change windows in accordance with normal market retail contract price change requirements (with the result that they may end up paying above the standing offer price).
- JEC considered that the rule change should refer to 'energy related contract terms' or 'material contract terms' rather than 'benefits'. It expressed the view that differentiating between

<sup>72</sup> Retailers must obtain a customer's consent before transferring them from another retailer or entering into a market retail contract with them. When obtaining a customer's consent, the National Energy Retail Law requires it must be both explicit and informed. Sections 38 to 42 of the National Energy Retail Law detail the requirements for EIC. Further information is available here: AER, Compliance check, EIC, available at <https://www.aer.gov.au/system/files/Compliance%20Check%20-%20entering%20into%20retail%20contracts,%20explicit%20informed%20consent%20-%20November%202015.docx>

<sup>73</sup> Submissions to the draft determination: AGL, p. 5, JEC, pp. 2-3.

contract terms (and timeframes) and ‘benefits’ (and timeframes) is unreasonably complicated and potentially undermines meaningful choice and consent for consumers.

The Commission considers limiting the rule change to new contracts, or placing a time limit on these protections with a contract would not achieve either the intent of the rule change proposal, or extend adequate protections to consumers.

We also consider the proposal to include ‘material contract terms’ rather than ‘benefits’ would likely result in most customers being placed on fixed-term agreements which would require customers to provide EIC for a new contract or they would become a carry-over customer on a deemed customer retail arrangement. This provides some level of protection for disengaged customers. However, it is meant to be a backstop consumer protection and does not necessarily represent the best outcomes for individual consumers, for example, a retailer’s ‘deemed better offer’. While the final rule does not expand the proposal in the way suggested, when combined with the rule changes on restricting price increases, outlined in chapter 5, consumers will be provided more confidence in the terms of the contract they are offered.

### 3.2 The final rule addresses a gap in protections for carry-over customers on deemed customer retail arrangements

#### **Box 3: Final determination - the final rule improves protections from disconnection for carry-over customers on deemed customer retail arrangements**

The final rule will restrict retailers from de-energising carry-over customers on deemed customer retail arrangements where they do not engage with the retailer.

This is a change from the draft rule which restricted retailers from de-energising all customers on deemed customer retail arrangements if they do not engage with their retailer, including move in customers.

The final rule amends the NERR so that a carry-over customer on a deemed customer retail arrangement cannot be de-energised for failing to engage with their retailer.<sup>74</sup> They can still be de-energised for non-payment or if they commit other breaches that can result in de-energisation under the rules.<sup>75</sup> This aligns protections for these customers and other customers. It is important to address this gap in regulatory protection.

This issue was raised by Engie in its submission to the consultation paper, who highlighted that at the end of a fixed-term retail contract, a disengaged customer who does not enter into a standard or market retail contract would become a ‘carry-over’ customer on a deemed customer retail arrangement. Engie noted that steps for de-energisation of these customers are more streamlined for retailers than the steps for de-energisation under other provisions of the NERR.<sup>76</sup>

The final rule does not extend disconnection protections to move-in customers on deemed retail arrangements, as was proposed in the draft determination. While ECA supported the inclusion of move-in customers, numerous stakeholders raised issues with providing power to unknown customers, including:<sup>77</sup>

<sup>74</sup> NERL section 54(6) requires carry-over customers and move-in customers to “contact a retailer and take appropriate steps to enter into a customer retail contract as soon as practicable”. Currently, NERR rule 115 allows retailers to de-energise customers who do not do this. The final rule will limit rule 115 to move-in customers only.

<sup>75</sup> See NERR Part 6.

<sup>76</sup> Engie, submission to the consultation paper, p. 3.

<sup>77</sup> Submissions to the draft determination: Alinta, p. 5; EnergyAustralia, p. 8; Engie, p. 4; Origin, p. 3; AGL, p. 6; EWON, EWQ, EWOSA, pp. 2-3; ECA, p. 2.

- being unable to meet obligations with distributors relating to notifications of planned and unplanned interruption and emergency management.
- safety issues with life support equipment or sensitive load requirements at the premises.
- limited recourse for retailers to collect debt, especially if the occupant moves premises.
- confusing or contradictory messaging.

The Commission considers it pragmatic to limit disconnection protections for not engaging with the retailer only to carry-over customers, and not to move in customers. This will mean disengaged carry-over customers will not face a higher risk of de-energisation, while balancing the responsibilities of, and risks to, retailers and customers in relation to move in customers.

### 3.3 The final rule does not include exemptions for specific plans or incentives

The final rule requirement to limit post-benefit prices to standing offer prices does not include any exemptions for specific benefit types or types of contracts. However, the types of contract changes that are “excluded changes” under the AER’s *Benefit change notice guidelines* would continue to be excluded from the final rule.<sup>78</sup> There is no change from the draft rule.

We consider this approach, combined with the flexibility of the final rule in allowing contracts to continue at rates below the standing offer price, makes further exemptions unnecessary. The Commission considers limiting protections for some benefit types may add confusion and risk for some groups of consumers and that benefits should extend as widely as possible to address the loyalty penalty issue raised by the proponent.

The proponent did not suggest any exemptions in its request. However, in response to the consultation paper and draft determination some retailers and consumer groups suggested several energy products should be exempt, particularly where these plans cater to specific customer needs. Suggestions included:<sup>79</sup>

- innovative products
- non-financial benefits like loyalty schemes, tangible gifts, subscriptions, value-adds/bolt-ons
- upfront incentives
- offers restricted to customers experiencing vulnerability
- legacy plans that have been reactivated following a transfer in error.

JEC strongly supported applying the rule consistently to all contracts, but reiterated that a key part of the rule change should be defining what material aspects of energy contracts this rule should apply to, and how communication of any other terms or benefits should interact with them.<sup>80</sup>

We encourage the AER to consider if any further exemptions, or changes to existing exemptions, are required under the *Benefit change notice guidelines* to meet the intent of the final rule in protecting disengaged consumers, as further discussed in section 3.4 below.

### 3.4 The AER will need to review its *Benefit change notice guidelines*

<sup>78</sup> AER, *Benefit change notice guidelines*, 2018, Section 2.2-2.3, pp. 7-8; In the final rule, new rule 48C uses the term “benefit change” which is defined in rule 45A to exclude “excluded changes” as defined in the AER’s guidelines.

<sup>79</sup> Submissions to the consultation paper: AGL, p. 4; Engie, p. 3; JEC, p. 10; Engie, submission to the draft determination, p. 3.

<sup>80</sup> JEC, submission to the draft determination, p. 3.



**Box 4: Final determination - The AER will be required to review its *Benefit change notice guidelines* to determine if any changes are required.**

The AER's *Benefit change notice guidelines* specifies information retailers must include in benefit change notices so small customers understand the tariffs and charges they will pay after their benefits end.

Accordingly, the final rule requires the AER to review its *Benefit change notice guidelines* and make any changes required to reflect the final rule.

The AER will have approximately 12 months from the final rule to make any changes.

In light of the final rule requirement for post-benefit tariffs to be no higher than standing offer prices, the final rule requires the AER's *Benefit change notice guidelines* to specify information retailers must include in benefit change notices so small customers understand the tariffs and charges they will pay after their benefits end (if they do not move to a new contract).<sup>81</sup>

The AER will be required to update its *Benefit change notice guidelines* to reflect the final rule. The AER raised that updating these guidelines will increase its resourcing requirements as the final rule may increase the scope of the guideline.<sup>82</sup>

As the rule change proposal suggested disengaged customers' contracts would be terminated when their benefit ended, some retailers and energy ombudsman reinforced the importance of customers being provided with information prior to the change or expiry of their benefit period in submissions to the consultation paper. They outlined the impact of the expiry and the options available, or suggested the *Benefit change notice guidelines* be amended or removed if no longer necessary.<sup>83</sup> In response to both the consultation paper and draft determination, some retailers sought flexibility on notice requirements.<sup>84</sup>

AEC suggested the requirement to notify customers of the change via the *Benefit change notice guidelines* was too burdensome, and that retailers should be provided with flexibility in their notification approach.<sup>85</sup> JEC disagreed, stating it is important to ensure a similar level of consistency in communication of these (and any other) terms to the consumer, and when and how this must occur, and considered that the *Benefit change notice guidelines* is the appropriate channel for this.<sup>86</sup>

As our final rule allows contracts to continue when benefits change or expire, the *Benefit change notice guidelines* will still be required. The AER will be required to implement any changes to the guideline (if required) by 1 July 2026.

### 3.5 Retailers will have 12 months to prepare to comply with the rule

**Box 5: Final determination- retailers will have 12 months to prepare for the new rule**

Retailers will have 12 months, until 1 July 2026, before the new provision limiting post-benefit

81 final rule, amendments to rule 48B(2)(c).

82 AER, submission to the draft determination, p. 2.

83 Submissions to the consultation paper: Alinta, p. 3; EnergyAustralia, pp. 8-9; EWON, EWOQ, EWOSA, p. 2; Powershop, p. 1.

84 Energy Locals, submission to the consultation paper, p. 3; AEC, submission to the draft determination, p. 2.

85 AEC, submission to the draft determination, p. 2.

86 JEC, submission to the draft determination, p. 3.



tariffs will apply to their contracts (new and existing). This will give them time to update their contracts to comply with the final rule.

Any new contracts will be required to comply with the new requirements from 1 July 2026.

The final rule includes a transition period. Retailers must comply with the final rule by 1 July 2026, for both new and existing contracts. This applies across all components of the final rule which encompasses all four consolidated rule change requests.

Some retailers agreed a 12 month timeframe is an adequate implementation period.<sup>87</sup> However, other stakeholders had mixed views. Ombudsmen and ECA both preferred a shorter implementation timeline to extend these protections sooner,<sup>88</sup> In contrast, some retailers and the AER considered a longer implementation period was necessary to allow time for the update of their guidelines.<sup>89</sup> We note the publication of the revised *Benefit change notice guidelines* is scheduled to occur ahead of the implementation of this rule.<sup>90</sup>

We consider a 12-month transition period provides adequate time for retailers to implement changes to comply with the final rule, noting that contracts will not be affected until any benefit period changed or expired.

87 Submissions to the draft determination: Alinta, p. 2; Engie, p. 2.

88 Submissions to the draft determination: ECA, p. 2; EWON, EWOQ, EWOSA, p. 2.

89 Submissions to the draft determination: AER, p. 2, AGL, p. 3

90 The AER is reviewing four retail guidelines in 2025 and 2026, Available at <https://www.aer.gov.au/news/articles/communications/aer-reviewing-four-retail-guidelines-2025-and-2026>

## 4 Removing unreasonable conditional penalties

The Commission has made a final rule that will improve protections for customers on contracts that require them to pay much higher rates if they do not meet certain payment conditions (paying on time and using a certain payment method). This will help reduce the loyalty penalty for these consumers.

The final rule will mean that:

- customers with high discounts linked to payment conditions will receive the discount, whether or not they meet the payment condition
- customers with high fees linked to payment conditions will have their fees reduced to reasonable levels (as discussed in chapter 6).

One change has been made to the rule from the draft to final determination. Retailers will not be required to comply with the *Benefit change notice guidelines* to notify customers of the change to their plan. However, they will be required to notify affected customers:

- in writing (including a description of the change)
- in a reasonable timeframe (no earlier than 40 business days and no later than 20 business days before the effective date).

The rule will come into effect on 1 July 2026.

### 4.1 The final rule will remove unreasonably high penalties linked to payment conditions

#### **Box 6: Final determination - Customers on contracts with high discounts linked to a payment condition will receive the discount even if they do not meet the condition**

Under some market retail contracts, customers receive large discounts on their bills if they pay on time or by using a certain method (conditional discounts). The final rule requires retailers to apply these high discounts even if the customer does not meet the payment condition.

The final rule is consistent with the draft rule.

Discounts that will be captured under the final rule are those that exceed the reasonable costs that retailers will face if the payment condition is not met, for example, the cost the retailer will face if the customer paid their bill late.

These high conditional discounts were prohibited for all contracts entered into after mid-2020, but still exist in older contracts.

Customers with high fees linked to payment conditions will also have their fees reduced to reasonable levels as discussed further in chapter 6.

The final rule addresses an ongoing issue relating to unreasonable conditional penalties in older contracts. 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 (such as direct debit). 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.<sup>91</sup> Some of these contracts with high fees or discounts are still on foot.

<sup>91</sup> This group is defined in NERR schedule 3, Part 12B, rule 2. The rule change request referred to these contracts as being 'grandfathered'.

For contracts with high conditional discounts, the final rule will require the discounts to be applied in full, whether or not the customer meets the condition relating to that discount.<sup>92</sup> This aligns with the principle in the rule change request that if the conditional penalty is unreasonable then the customer should not be penalised and bear the cost.<sup>93</sup>

The final rule applies to new contracts, contracts entered into since 1 July 2020 that are ongoing, and those contracts that customers entered into prior to 1 July 2020. However, in practice only contracts entered into prior to 1 July 2020 will have high conditional discounts.

Retailers will use the tests in NERR rule 46C(1) (put in place in the [Regulating conditional discounting final rule](#)) to determine if a conditional discount is unreasonable. Detail on the relationship between the 2020 rule and the final rule is outlined in section 4.1.1

Retailers and energy ombudsmen suggested there may be relatively few contracts remaining with high conditional discounts in their submissions to the consultation paper.<sup>94</sup> However, a range of stakeholders agreed the rule change proposal would support consumers on these contracts, including by:<sup>95</sup>

- providing fairer energy pricing
- protecting consumers experiencing vulnerability and those facing excessive costs providing greater certainty over costs
- removing the onus on the consumer and reducing the risk of bill shock through higher underlying prices.

Most stakeholders, including most retailers, broadly supported the approach outlined in the draft rule to extend protections to customers on pre 1 July 2020 contracts with conditional discounts.<sup>96</sup> A few retailers raised concerns regarding the proportionality and appropriateness of the draft rule, including that it may expose retailers to price risks, or confuse consumers.<sup>97</sup>

Of particular concern to these retailers was the application of the rule to existing contracts, which they consider may alter their risk profiles.<sup>98</sup> The Commission considers the risk to retailers posed by the final rule will be low given the few remaining affected contracts, which have existed since prior to 1 July 2020. These retailers also raised that existing regulations may be sufficient to achieve the intent of the rule change request, noting it can be complicated and costly to reach disengaged customers.<sup>99</sup> The final rule provides an important protection for disengaged customers, extending similar protections for all consumers. It also gives retailers flexibility in how they notify their customers, and allows the contract to continue, both of which will mitigate the engagement burden on retailers.

The final rule achieves the intent of the rule change, which is to ensure these consumers are not paying more than the price they would pay if they satisfy the relevant conditions under their contract.<sup>100</sup> Our analysis found applying the rules relating to the treatment of high conditional discounts could leave consumers worse off, potentially increasing the price they pay.<sup>101</sup> We

92 See final rule, amendment to rule 46C(2). The final rule relies on the existing definitions of “payment condition” and “conditional discount”, which are set out in rule 45A. The concept of unreasonably high discounts is defined in rule 46C(1).

93 ECMC, *Removing unreasonable conditional discounts*, rule change request, p. 5.

94 Submissions to the consultation paper: EWON, EWOQ, EWOSA, p. 3; Energy Locals, p. 4; AGL, p. 4; Red & Lumo, p. 3; EnergyAustralia, pp. 4-5; AEC, p. 2.

95 Submissions to the consultation paper: SACOSS, p. 10; EWON, EWOQ, EWOSA, p. 3; ECA, p. 8, EnergyAustralia, p. 2; AEC, p. 2.

96 Submissions to the draft determination: AEC, p.1; EWON, EWOQ, EWOSA, p. 2; ECA, p. 3; AER, p. 1; EnergyAustralia, p. 9; Origin, p. 5; JEC, p. 3; AGL, p. 7

97 Submissions to the draft determination: Engie, pp. 3-4; Red & Lumo Energy, p. 3; Alinta, pp. 3, 5.

98 Submissions to the draft determination: Engie, pp. 3-4; Alinta, pp. 3, 5.

99 Submissions to the draft determination: Red & Lumo Energy, p. 3; Alinta, pp. 3, 5.

100 ECMC, *Removing unreasonable conditional discounts*, rule change request, p. 5.

101 Improving consumer confidence in retail energy plans, Draft rule determination, 27 March 2025, section 4.1.2, p. 25

consider the final rule is more preferable because it will enable these older contracts to continue, providing minimum disruption to consumers, and removing or reducing the potential adverse outcomes outlined above.

One retailer queried if they could comply with the rule by splitting an unreasonable discount (such that, for example, a 20 per cent conditional discount could become 15 per cent unconditional, 5 per cent conditional).<sup>102</sup> The Commission considers this would add complexity and confusion to customers experiencing the change.

We also note that the Essential Services Commission of Victoria (ESC Vic) prefers a similar approach in requiring retailers to apply discounts on legacy contracts irrespective of whether the customer has met the required payment conditions. It notes this will result in some loss of revenue for energy providers, however, its CBA indicates a net benefit associated with this policy.<sup>103</sup>

The final rule also addresses an issue with the current rules. The existing rule 46C(2) makes excessive conditional discounts void, leaving the customer to pay the full price if the discount is found to be too high.<sup>104</sup> The final rule will change this so the conditional discount still applies rather than being voided. To comply, retailers will be required to charge consumers only the discounted rate on these contracts. This means the customer gets the benefit of the discount and it is no longer conditional on payment time or method.

The final rule will provide consumers with certainty over the price they pay, and remove the risk of bill shock from not meeting a payment condition. The final rule improves protections for customers who do not choose a new market offer, particularly vulnerable consumers, whom the ACCC noted were particularly at risk from these penalties.<sup>105</sup> It is important that those vulnerable consumers are not penalised.

Under the final rule the retailer will bear the cost when it has imposed an unreasonable penalty on consumers. By ensuring that retailers face the cost of any unreasonable conditional penalties relating to discounts, they will be incentivised to offer new contracts to consumers on these older contracts.

We consider that the final rule addresses the underlying risk associated with unreasonable conditional discounts, while creating minimal impact to customers, and no additional impact to retailers compared to the rule change proposal.

#### 4.1.1 The relationship between the final rule and the 2020 rule

The AEMC's 2020 *Regulating conditional discounting* rule sought to protect consumers from large penalties when they miss payment conditions.<sup>106</sup> It capped the level of conditional discounts and fees to reasonable costs likely to be incurred by the retailer when a consumer fails to satisfy a payment condition.<sup>107</sup>

The final rule retains some aspects of this rule and makes some changes, as outlined in Table 4.1 below.

<sup>102</sup> Engie, submission to the draft determination, p. 4.

<sup>103</sup> Essential Services Commission, *Reviewing the Energy Retail Code of Practice, Energy Consumer Reforms - Regulatory Impact Statement*, 16 May 2025, p. 145, 147

<sup>104</sup> NERR, Rule 46C(2).

<sup>105</sup> ACCC, *Inquiry into the NEM*, June 2024, p. 65.

<sup>106</sup> AEMC, *Regulating conditional discounting*, Rule determination, 27 February 2020, p. ii.

<sup>107</sup> See NERR rules 46C and 52B.

**Table 4.1: Comparison of 2020 rule and final rule**

Feature of 2020 rule	Change made by final rule
Only applied to new retail contracts entered into after 1 July 2020, and not to contracts with conditional fees and discounts on foot at that time, including conditional fees and discounts that would be considered unreasonable under the 2020 rule (NERR schedule 3, Part 12B). The Commission considered that consumers with ongoing experience with conditional fees and discounts were in a better position to assess their suitability for these types of offers compared to customers entering new contracts (AEMC, Regulating conditional discounting, Rule determination, 27 February 2020, p. iii).	The changes below apply to all contracts, whether entered into before or after 1 July 2020.
voids conditional fees if they are found to be unreasonable (leaving customers to pay no fee) (NERR rule 52B(2)).	No change
voids conditional discounts if they are found to be unreasonable (leaving customers to pay the undiscounted price) (NERR rule 26C(2)).	Retailer must apply the full discount regardless of whether the customer has met the payment condition, if the conditional discount is found to be unreasonable.
Only applies to conditional discounts and fees related to payment timing or method (e.g. direct debit) – the scope is quite narrow (“Payment condition” is defined in rule 45A as “a provision of a customer retail contract that relates to the timing or method of payment of a bill.” The final rule will not change this definition).	No change
Allows retailers to include conditional discounts up to a reasonable estimate of the costs the retailer would incur if the customer fails to satisfy the payment condition, for post-2020 contracts (NERR rules 46C(1)).	No change
Allows retailers to include conditional fees up to a reasonable estimate of the costs the retailer would incur if the customer fails to satisfy the payment condition, for post-2020 contracts (NERR rules 46C(1) and 52B(1)).	See chapter 6 - all fees and charges are limited to reasonable levels, for new and existing contracts
Did not set a specific level for or define “reasonable estimate of retailer costs”, as the concept of reasonable costs is widely understood and used in a range of different industries, including energy (AEMC, Regulating conditional discounting, Rule determination, 27 February 2020, p. ii). This principle-based approach allows the AER to make compliance assessments on a case-by-case basis, with regard to information provided by the retailer.	No change

Source: NERR and final amending rule.

#### 4.1.2 The final rule minimises additional costs to retailers

Some retailers noted that they would incur some costs in complying with the draft rule including implementation and administration costs.<sup>108</sup> The final rule does not require retailers to terminate these contracts, or apply complex calculations to amend terms and conditions to ensure the customer is not worse off. Due to this, we consider the cost of compliance and enforcement will be reduced for both retailers and the AER, compared to the proposed rule. As noted above, only around 10 per cent of consumers do not regularly achieve their contract's payment conditions, so we expect the overall impact on retailers to be low.

The final rule also reduces the burden on retailers by allowing flexibility in how they notify customers, as discussed in section 4.2 below.

#### 4.1.3 The "reasonable estimate of retailer costs" test is provided under the current rules

The final rule applies the same "reasonable estimate of retailer costs" test as introduced by the 2020 *Regulating conditional discounting* rule and applied since then. The 2020 *Regulating conditional discounting* final rule did not specifically define "reasonable estimate of the costs incurred by retailers" as the Commission considered the term to be a widely understood concept that has been utilised in a range of different industries, including energy.<sup>109</sup>

#### 4.1.4 Conditional fees are covered by the fees and charges rule change

As discussed in detail in chapter 6, the final rule will ensure all fees are limited to reasonable costs, and vulnerable customers will not be charged fees (excluding network charges). This will include any unreasonable fees in older contracts that were not covered by the *Regulating conditional discounting* final rule.<sup>110</sup> This will benefit consumers on these older contracts, particularly those who are vulnerable, by ensuring they are not exposed to unreasonable costs if they miss a payment condition.

## 4.2 Consumers will be notified of the change in their contract

### **Box 7: The final rule does not require that retailers comply with the notification requirements in the *Benefit change notice guidelines***

The final rule does not require that retailers comply with the *Benefit change notice guidelines* to notify customers of the change, as was proposed under the draft rule. Some retailers identified this could be costly, and unnecessary given no customer will be worse off under the final rule.

The Commission considers notification as described below is adequate to meet the intent of the rule change and will reduce compliance costs.

The final rule will require retailers to notify their customers of the change to their conditional discounts (i.e. that they will apply unconditionally whether the customer meets the payment condition or not).<sup>111</sup> SACOSS highlighted that consumers should be informed of the changes to their contracts.<sup>112</sup>

<sup>108</sup> Submissions to the draft determination: Red and Lumo Energy, p. 3; Engie, p. 3, Alinta, pp. 3-5.

<sup>109</sup> AEMC, *Regulating conditional discounting*, Final determination, 27 February 2020, p. ii. In addition to being used in rule 46C on conditional discounts, this phrase is used in rule 49A on early termination charges and was used in rule 52B on conditional fees (noting rule 52B will be deleted by this final rule).

<sup>110</sup> See NERR schedule 3, Part 12B rule 2, and the final rule, inserting rule 8 into Part 20 of NERR schedule 3.

<sup>111</sup> Final rule, inserting Division 3 into Part 20 of NERR schedule 3.

<sup>112</sup> SACOSS, submission to the consultation paper, p. 10.

The Commission continues to consider that customers should be informed of changes in their contracts. The final rule gives retailers flexibility in the approach they can take to notifying customers, however, under the final rule, retailers will have to notify affected customers.<sup>113</sup>

- in writing (including a description of the change),
- in a reasonable timeframe (no earlier than 40 business days and no later than 20 business days before the effective date).

The Commission also considers this notification may act as another prompt for these customers to opt to take up a new plan.

### 4.3 Retailers will have 12 months to update contracts and apply the discount unconditionally

#### **Box 8: Final determination- retailers will have 12 months to comply with the rule changes**

The final rule will come into effect on 1 July 2026.

Retailers will be required to apply conditional discounts regardless of whether the customer meets the payment condition for any unreasonably high discounts that remain on 1 July 2026. Retailers will also need to reduce any high conditional fees to reasonable fees.

The final rule is consistent with the draft rule.

The final rule will come into effect on 1 July 2026. This applies across all substantive components of the final rule which encompasses all four consolidated rule change requests.

This aligns with the 12 months suggested as an appropriate time frame by some retailers.<sup>114</sup>

Some other stakeholders preferred a longer implementation period.

- The AER suggested more time would be required to allow for any update of the *Benefit change notice guidelines*. However, as this aspect of the final rule will no longer require retailers to comply with the *Benefit change notice guidelines*, this issue is mitigated since the AER intends to complete its review of the *Benefit change notice guidelines* by the first quarter of 2026, in time for the implementation of this rule.<sup>115</sup>
- Alinta preferred an 18 month implementation timeframe given the difficulty of contacting disengaged customers.<sup>116</sup>

In contrast, energy ombudsmen and ECA considered that a shorter implementation timeframe would be preferred to expedite protections for consumers.<sup>117</sup>

The Commission has balanced views from stakeholders and the interactions between the other changes being made under this rule (reducing fees and charges and reducing price increases) and determined that it is beneficial for these components to commence at the same time. We note retailers could reach out to customers during this period to offer new contracts, which consumers may choose to take up.

<sup>113</sup> Final rule, rule 9 of Part 20 of NERR schedule 3.

<sup>114</sup> AEC, submission to the draft determination, p. 2.

<sup>115</sup> AER, submission to the draft determination, p. 1; AER is reviewing four retail guidelines in 2025 and 2026, available at: <https://www.aer.gov.au/news/articles/communications/aer-reviewing-four-retail-guidelines-2025-and-2026>

<sup>116</sup> Alinta, submission to the draft determination p. 5.

<sup>117</sup> Submissions to the draft determination, EWON,EWQ, EWOSA, p. 2; ECA, p. 2.

The Commission considers a 12-month implementation time frame to be appropriate.



## 5 Restricting price increases under market retail contracts

The Commission has made a final rule that seeks to provide more certainty to customers around when their electricity and gas prices may increase. It also reduces the number of price increases that customers will face over the length of the contract, while reducing administrative burdens relating to price decreases.

The final rule does this by:

- Only allowing retailers to increase prices once every 12 months for all existing and new market retail contracts.
- Requiring retailers to inform customers when prices may change under the contract prior to the customer entering a contract. For example, customers will need to be informed that prices could increase in July each year.
- Requiring retailers to provide 20 business days advance notice of any increase in prices or decrease in energy payments if the contract specifies that the prices will not increase for a fixed period after the contract start date.
- Removing the requirement to provide advance notice of price decreases and energy payment increases.
- Providing limited exceptions to the 12-month rule, which are:
  - a network tariff reassignment due to a change made by the customer or distributor
  - where the contract provides that a tariff or charge varies in relation to the prevailing spot price of energy.

The key changes between the draft and final rule are:

- removing the requirement for retailers to provide 20 business days advance notice of any variation in prices for contracts where prices may change in July, maintaining the existing requirement to provide five business days notice for these contracts.
- including energy payment (for example feed-in tariffs) decreases within the final rule, with the same notice requirements as energy rate increases
- enabling notifications for price decreases or energy payment increases to be provided as soon as practical and no later than the next bill after the change, rather than in advance
- clarifying that the exemption on network tariff reassignments relates to reassignments stemming from requests from retailers, customers and distributors.

Our final rule will take effect for all existing and new market retail contracts from 1 July 2026.

### 5.1 Price increases will be limited to once every 12 months

#### **Box 9: Final determination - Price increases will be limited to once every 12 months for existing and new market retail contracts**

Our final rule will only allow retailers to increase prices and/or decrease energy payments in market retail contracts once every 12 months. Under the final rule prices can only increase either:

- once within the month of July each year (this will apply to most contracts), or

- no earlier than the anniversary of the contract and no sooner than 12 months from the previous price increase where the contract has a fixed price for a period of time after the contract start date.

The final rule will apply to all market retail contracts, both those that customers are on at the time the rule commences and any new contracts entered into from the rule commencement date. (Customers paying standard offer prices under standard retail contracts will continue to have a maximum of two price increases per year, under NERL section 23(5).)

#### **We have made a change from draft to final**

The inclusion of energy payment decreases, as well as price increases, is the only change in position between the draft and final rule.

The Commission has made a final rule that will limit price increases to a maximum of once every 12 months for all existing and new market retail contracts.<sup>118</sup> The final rule will prohibit retailers from increasing prices and charges (including any fees), and decreasing energy payments (such as feed-in tariffs), except for once a year. We note that the expiry of or reduction in a customer's benefit that occurs at a time specified in the contract is not captured as a price increase for the purposes of this rule 46AA.<sup>119</sup> For most contracts, the increase (if any) must be in July each year. Some contracts specify that prices are fixed for a number of months starting on the contract start date. This type of contract is allowed under the final rule, however for these contracts prices could only increase at least 12 months after the contract start date, and then at least 12 months after the previous price rise.<sup>120</sup> This will provide consumers on market retail contracts with greater certainty about the prices they pay, reduce incidents of bill shock and increase consumer trust in the energy market.

Most stakeholders were supportive of the rule limiting price increases to once every 12 months.<sup>121</sup> In particular, retailers supported the flexibility to implement a price increase, if necessary, within the month of July rather than on a fixed date.<sup>122</sup> Ombudsmen noted that the draft rule improves customer price certainty while still providing some flexibility for retailers.<sup>123</sup>

The final rule addresses the issue outlined in the rule change request that retailers' pricing strategies are not always clear to consumers, and there is no easy way for consumers to know when and by how much their energy price will increase.<sup>124</sup> ACCC has found that when consumers sign up for a new energy plan, it is not uncommon for their prices to increase soon after.<sup>125</sup> The final rule is in line with one of the three potential options identified by the proponents to address the issue and is similar to the obligations introduced by the ESC Vic in Victoria in 2020.<sup>126</sup>

<sup>118</sup> See rule 46AA in the final rule. Price increases refer to increases in the underlying energy rate of a retail offer, rather than a tariff reassignment. The rule will also apply to energy payment decreases, such as feed-in tariffs. See section 4.3 for further details on network tariff reassignments.

<sup>119</sup> For example, if the contract specifies that a discount will end at a certain time, after which the customer will return to paying a specified undiscounted energy rate, this does not constitute a change to the underlying energy rate. Benefit changes are subject to existing notification requirements - see rule 48A. The AER has established benefit change notice guidelines which provide further detail on what is and is not a benefit change. See rule 48B.

<sup>120</sup> AEMC analysis of available electricity and gas offers on Energy Made Easy (in January 2025) indicates that currently, approximately 2% of contracts being offered are contracts where a price is fixed for a period of time from the contract start date. While these fixed price periods may currently be less than 12 months, the effect of the final rule will be to make all fixed price periods a minimum of 12 months - see final rule 46AA(2).

<sup>121</sup> Submissions to the draft determination: ECA, p. 3; JEC, p. 3; Energy Locals, p. 1; EnergyAustralia, p. 9; Origin, p. 2; Engie, p. 5; AGL, p. 10; Momentum, p. 2; EWON, EWOQ, EWOSA, p. 4.

<sup>122</sup> Submissions to the draft determination: ECA, p. 3; JEC, p. 3; EnergyAustralia, p. 9; Engie, p. 5; AGL, p. 10; Momentum, p. 2; Origin, p. 2.

<sup>123</sup> EWON, EWOQ, EWOSA, submission to the draft determination, p. 4.

<sup>124</sup> ECMC, *Preventing price increases for a fixed period under market retail contracts*, rule change request, p. 2.

<sup>125</sup> ACCC, *Inquiry into the NEM*, December 2023, p. 9.

<sup>126</sup> ECMC, *Preventing price increases for a fixed period under market retail contracts*, rule change request, pp. 3-4; See the 2020 Essential Service Commission of Victoria (ESC Vic) decision on 'clear and fair contracts' [here](#) and see clause 94 of the Victorian Energy Retail Code of Practice.

The Commission considers restricting price increases and energy payment decreases to July, should retailers choose to make any such increase or decrease, provides consumers certainty and aligns with key cost changes faced by retailers, incentivising retailers to manage these costs for their customers. Our final rule enables customers to compare offers from retailers with confidence, as all retailers will only be able to increase their prices in July (unless the customer signs up for a contract under which the prices are fixed for 12 months or more from the contract commencement date). This may increase competitiveness of offers if customers are better incentivised to switch.

The final rule will go some way to reduce the information asymmetry between retailers and consumers. It would improve transparency around price increases, which improves the balance of risks between retailers and consumers. The final rule will also reduce switching costs for consumers by providing certainty of prices and may improve consumer confidence in the market.

The Commission notes that an additional benefit of the approach in the final rule is that it will be relatively simple to check compliance, although we acknowledge there may be additional resourcing requirements from the AER to increase monitoring. The AER noted that in order to monitor compliance with the new rule, additional proactive compliance monitoring may be required. For example, spot checks to review compliance with the final rule may create further resourcing commitments.<sup>127</sup> Energy Locals raised that there should be scope for an exemption to the rule in case of a material pricing or administrative error.<sup>128</sup> We do not see the need for a specific exemption written into the rules in this case. Instead, the AER will exercise its discretion on whether to pursue enforcement where an honest mistake is made and there was little harm done to the customer.<sup>129</sup> We expect retailers to have the appropriate systems in place to ensure compliance with the final rule and if such errors are made, to quickly rectify them and notify the AER.

Requiring retailers to disclose to customers that their prices will change in July, and standardising price increases to July (excluding fixed price period contracts),<sup>130</sup> increases transparency and certainty and makes it relatively easy for the AER and energy ombudsmen to confirm if retailers are complying with the rules. Price changes that occur outside of July will be easily captured by energy ombudsmen through complaints and by the AER.

The Commission plans to recommend that the requirement to limit price increases to July or to the anniversary of the fixed price period contract be a tier 2 civil penalty provision. See appendix B.4 for further details on the proposed civil penalty provisions.

### 5.1.1 The final rule will restrict any price increases to once in July for most contracts

#### Consumers will have confidence that their prices will last a meaningful length of time

We consider that restricting price increases to once in the month of July will improve outcomes for consumers by:

- creating a regular touch-point for price changes that consumers understand, similar to other changes in the economy
- giving consumers confidence about how long their prices will be guaranteed for

<sup>127</sup> AER, submission to the draft determination, p. 3.

<sup>128</sup> Energy Locals, p. 2.

<sup>129</sup> For example, a retailer identifies a transposition error and the retailer calls its customers, informs them to disregard a price increase notice and the error is quickly corrected.

<sup>130</sup> See final rule, definition of “fixed price period contract” in rule 45A.

- increasing transparency and comparability of offers if the majority of price increases are at the same time
- reducing the cognitive burden associated with switching
- encouraging switching behaviour if given a sufficient signal.

We consider that in practice, most market retail contracts will have price increases, if any, in July.

The final rule will reduce implementation costs for retailers by enabling retailers to access efficiencies of scale, without requiring a price rise for all consumers on the same day. This aims to balance stakeholder feedback that only allowing price increases on a single day could be costly to retailers.

Retailers generally supported this flexibility to increase prices, if necessary, within the month of July as it provides retailers flexibility to stagger price increases by customer cohorts and reduce the burden of setting prices to a single date.<sup>131</sup> EnergyAustralia and Engie requested that the time period be extended to include 1 August to align with arrangements in Victoria.<sup>132</sup>

The Commission considers that extending the period when prices may increase to 1 August will provide little benefit to retailers at the cost of potentially confusing customers. Customers may be confused with more complex messaging that prices may increase in the month of July or on the 1st of August. Allowing retailers to increase their prices (if increases are necessary) at any point in the month of July provides retailers sufficient flexibility to incorporate changes in network prices and Default Market Offer (DMO) changes and potentially stagger price changes across the month.

#### **Box 10: Customer scenario outlining how the final rule limiting price increases to July will work**

Sofia joins retailer X in March, and is notified prior to joining that the retailer's prices can increase in July. Retailer X decides to increase its prices on 10 July and in June provides Sofia at least five business days notice about the magnitude of those changes including details of the rates she will pay from 10 July.

Sofia does not like the new prices and decides to compare offers. She decides to switch to retailer Y in September. Before she joins, retailer Y informs her that it can increase prices in July next year. Sofia has confidence that the new prices she has signed up to will last until the following July.

#### **An increase to a component of a customer's tariff is a price increase**

AGL and Red/Lumo Energy requested that 'price increase' be further defined to reflect an increase in the customer's overall annual bill, rather than individual components of the plan.<sup>133</sup> For example, increasing the peak charge but reducing the off-peak charge of an energy plan, which may mean that the customer's total annual bill could potentially be lower.<sup>134</sup>

The Commission notes that the rule does not prohibit retailers from decreasing prices or increasing energy payments (feed-in tariffs) at any point. However, the Commission considers that defining a 'price increase' to a total increase to the customer's annual estimated bill goes against the intent of the rule and is highly subjective. There will likely be different outcomes for different

<sup>131</sup> Submissions to the draft determination: Origin, p. 2; EnergyAustralia, p. 9; AGL, pp. 10-11.

<sup>132</sup> Submissions to the draft determination: EnergyAustralia, p. 9; Engie, p. 6.

<sup>133</sup> Submissions to the draft determination: AGL, p. 12; Red & Lumo Energy, p. 3.

<sup>134</sup> Submissions to the draft determination: AGL, p. 12; Red & Lumo Energy, p. 3.

consumers on the same tariffs. The purpose of the rule is to provide certainty that the price customers sign up for is the price they will pay for a reasonable amount of time. If any component of the customer's tariff increases, it would be considered a price increase.

### The final rule balances risks between retailers and consumers

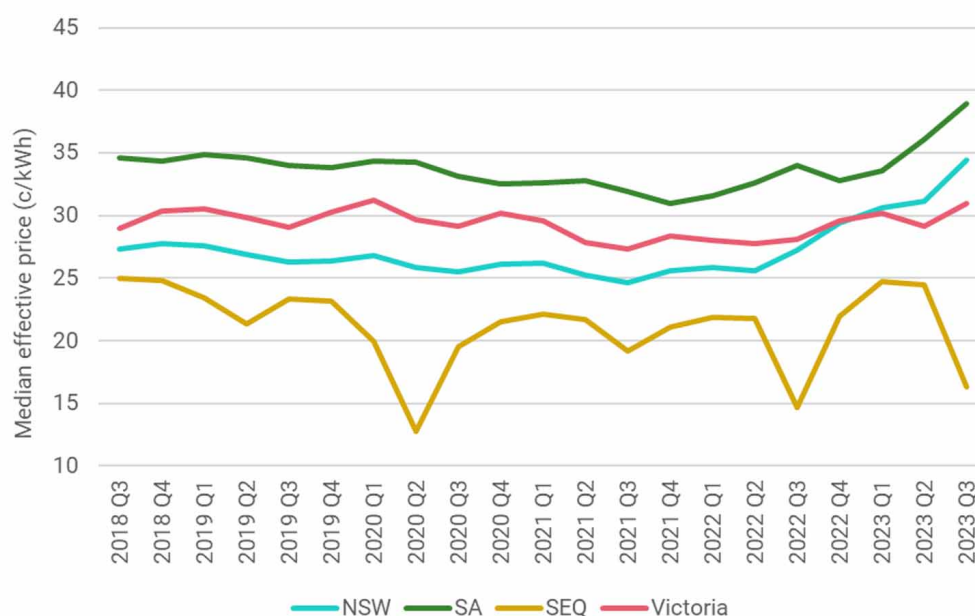
The Commission considers the final rule appropriately balances risks between retailers and consumers, and that aligning any price increases with increases to network tariffs and changes to the DMO improves the ability of retailers to manage key risks.

Retailers suggested without flexibility to manage market volatility there may be a risk premium included in customers' plans and reduced market competitiveness in submissions to the consultation paper. It was also suggested that this may disproportionately affect smaller retailers.<sup>135</sup>

Similarly, IPART and Red/Lumo Energy noted that the draft rule may still mean retailers will build a risk premium in their plans to account for not being able to adjust prices outside of July.<sup>136</sup>

We acknowledge that there may be a risk of price premiums being included into offers. However, analysis of price change data immediately following the ESC's decision that came into effect in July 2020 reveals that there has been little to no effect on prices in Victoria (see Figure 5.1). We consider there is no compelling evidence that restricting price increases to a maximum of once every 12 months will have an adverse impact on prices in other jurisdictions.

**Figure 5.1: Median effective prices paid by residential customers by region**



Source: ACCC, *Inquiry into the NEM* report, June 2024.

Note: ACCC analysis of retailer billing data. Nominal dollars, excluding GST.

<sup>135</sup> Submissions to the consultation paper: AEC, p. 2; Compliance Quarter, p. 3; EnergyAustralia, p. 10; Engie, p. 5; Red & Lumo Energy, p. 4; Tesla, p. 2.

<sup>136</sup> Submissions to the draft determination: Red & Lumo Energy, pp. 2-3; IPART, p. 4.

### Managing risk is a key retailer role and they are better placed to manage risk than customers

The Commission agrees with JEC's submission to the consultation paper that the key responsibility of the retailer is to appropriately manage wholesale price volatility,<sup>137</sup> the cost of providing electricity through the distribution network and the costs of doing business into a long-term, predictable financial product that meets consumer expectations.<sup>138</sup> Allowing retailers to increase prices throughout the year in response to changes in the wholesale market pushes the responsibility of managing that risk onto consumers, who may be less able to bear that cost.

Allowing retailers to update their prices, if necessary, within the month of July will provide retailers flexibility to update their prices in response to network and regulatory changes, while providing certainty for consumers. This approach will incentivise retailers to better manage their key cost inputs for the year and procure appropriate hedges.<sup>139</sup>

#### 5.1.2 Price increases for fixed price period contracts will also be limited to once per year

The final rule will also allow retailers to offer contracts which provide that price increases occur outside July, but will require the prices to be fixed for at least 12 months after the contract commencement date. Prices may be increased no sooner than the anniversary of when a customer commenced that contract, and then no more frequently than every 12 months.<sup>140</sup> While these contracts are currently not common, this approach will retain the flexibility for retailers to offer these types of contracts while still aligning with the intent of the final rule.

Our final rule provides retailers the flexibility to offer contracts with prices fixed for more than 12 months.

#### Box 11: Customer scenario indicating how the rule relating to fixed price period contracts will operate

Jing joins retailer A's fixed price plan in March 2027. The earliest that prices can increase is the 12-month anniversary, ie, in March 2028. Retailer A decides not to increase prices in March 2028 and instead decides to increase prices in May 2028. Jing's prices are then fixed until May 2029.

## 5.2 Stronger notice requirements around price increases will provide greater transparency

#### Box 12: Final determination - Retailers will be required to provide customers further notice of potential price changes

The final rule requires retailers to inform customers prior to entering a contract when prices or energy payments may change under the contract. For example, the retailer must tell the customer that prices may increase in July each year.

For most market retail contracts, our final rule will require retailers to provide customers five business days' notice prior to energy payment decreases as well as price increases, including

<sup>137</sup> Including for major market events.

<sup>138</sup> JEC, submission to the consultation paper, p. 12.

<sup>139</sup> Network prices and changes to the DMO typically occur in late May and take effect on 1 July. We understand that wholesale hedging contracts usually cover retailers year to year or for multiple years.

<sup>140</sup> Final rule 46AA(2).

details of the customer's new prices and when the customer's new prices will apply.

The final rule includes a 20 business day's notice requirement for price increases and energy payment decreases under fixed price period contracts.

The final rule also removes the requirement for retailers to provide advance notice of a price decrease or energy payment increase. Instead, notice can be given as soon as practical and no later than the next bill.

We note that consumers who sign up for a contract in the months before July may experience a frustrating outcome by having their prices increase shortly after the start of the contract. To mitigate this issue, the final rule improves notice requirements by requiring retailers to inform customers prior to entering a contract when prices may change. This improves transparency and certainty for consumers, so they will not be surprised by price increases.

#### 5.2.1 **Retailers will be required to inform customers when prices may increase before entering a contract**

Before a customer signs up for an offer, retailers will be required to notify the customer when prices may change.<sup>141</sup> If the extent of the price change is known at the time (eg, because the customer signs up shortly before July) then the retailer should also disclose this to help the customer make an informed choice.

This means the retailer will be required to inform the customer, when the customer is considering the contract, that prices may increase in July of each year, or on the one-year anniversary of the contract commencing (depending on what type of contract the customer is considering).

Providing consumers clarity about when prices may be updated before a customer enters into an agreement will mitigate the risk of shock to consumers who join a retailer before July, and also helps customers compare offers.

Ombudsmen and EnergyAustralia expressed support for this requirement in their submissions to the draft determination.<sup>142</sup>

#### 5.2.2 **The notice requirements for price increases will remain at five business days for most market retail contracts**

Under the final rule retailers will be required to provide notice of any price increases or energy payment decreases to their customers at least five business days before the change takes effect, for those price increases or energy payment decreases that occur in the month of July.<sup>143</sup> This notice will include specific details of the extent of the price change.

The final rule maintains the 20 business days advanced notice requirements for fixed price period contracts.<sup>144</sup>

In the draft determination the Commission proposed increasing the requirement to give advance notice of any variation in tariffs to 20 business days for all market contracts. Ombudsmen and consumer groups supported this adjustment as it will provide consumers greater time to shop around.<sup>145</sup>

<sup>141</sup> Final rule, amendments to rule 64(1).

<sup>142</sup> Submissions to the draft determination: EWON, EWOQ, EWOSA, p. 4; EnergyAustralia, p. 9.

<sup>143</sup> Final rule 46(4)(a1).

<sup>144</sup> Final rule 46(4)(a).

<sup>145</sup> Submissions to the draft determination: EWON, EWOQ, EWOSA, p. 4; JEC, p.4.



Retailers overwhelmingly did not support the proposal to increase the advance notice period to 20 business days due to it creating significant operational costs.<sup>146</sup>

Issues raised included:<sup>147</sup>

- The AER's release of the DMO can be unpredictable and can occur in late May. Retailers rely on the DMO to update prices in line with network price updates within the month of June.
- The price setting period is a resource intensive period and in practice a 20 business day notice requirement would add to the resource demand, which ultimately drives up costs for consumers.
- A longer notification period would also reduce the utility of allowing price increases within the month of July, as some retailers may not be able to update prices by early July.

Origin noted that it considered that the greatest impact of a price change notification for customers is closer to the actual price change date.<sup>148</sup>

Some retailers considered that a 10 business day notification period would be workable, in line with current requirements in Queensland.<sup>149</sup> However, Momentum noted that the Queensland Government has recently recommended reducing the notice requirement to five business days in line with other NEM jurisdictions.<sup>150</sup>

The Commission has considered this feedback and concluded that 20 business days notice will create operational issues for retailers to update prices for non-fixed price period contracts (contracts where price increases are allowed in July) which will reduce the effectiveness of the final rule and increase costs on retailers which will ultimately be borne by consumers.

Consumers will receive notice of when price rises may occur under the final rule, and can anticipate they may receive a price increase notification for July. The Commission also considered a 10 business day notice requirement but concluded that it may still create a cost to retailers with a reduced benefit to consumers.

The final rule will align with current notice provisions for non-fixed price period contracts under the NERR where retailers must give notice of any price increase or energy payment decrease with at least five business days' notice.<sup>151</sup>

The final rule will still require 20 business days notice for any price increase or energy payment decrease for fixed price period contracts (consistently with the draft rule). The Commission considers that the operational difficulties with the 20 business day notice period only exist for market contracts where price increases can occur in July due to the reasons identified above.<sup>152</sup> Customers on fixed-price period contracts where prices can not change for a 12-month period from sign-up will benefit from advance notice as these contracts may sit outside the normal price change period and customers may not remember what the expiry date of their fixed price period is. Retailers will also not be waiting to see the updated DMO for these contracts and can determine updated pricing in advance. The notice requirement for fixed-price period contracts additionally aligns with the notice requirements for the end of fixed-term contracts and the end of

<sup>146</sup> Submissions to the draft determination: AEC, p. 2; Energy Locals, p. 2; Alinta, p. 6; EnergyAustralia, p. 9; Engie, p. 5; Origin, p. 2; Red & Lumo Energy, p. 2; AGL, pp. 11-12; Momentum, pp. 2-3

<sup>147</sup> Submissions to the draft determination: AEC, p. 2; Energy Locals, p. 2; Alinta, p. 6; EnergyAustralia, p. 9; Engie, p. 5; Origin, p. 2; Red & Lumo Energy, p. 2; AGL, pp. 11-12; Momentum, pp. 2-3

<sup>148</sup> Origin, submission to the draft determination, p. 2.

<sup>149</sup> Submissions to the draft determination: Engie, p. 5, Origin, p. 2

<sup>150</sup> Momentum, submission to the draft determination, p. 3; Queensland Treasury, National Energy Retail Law (Queensland) Regulation 2014, Discussion paper, May 2025, pp. 24-28.

<sup>151</sup> See current NERR rule 46(4)(a).

<sup>152</sup> In practice, most customers will be on non-fixed price period contracts where prices can increase in July.



a benefit period which the Commission considers to be appropriate and will enable retailers to send combined communications.<sup>153</sup>

### 5.2.3 There will be no requirement for advance notice of a price decrease or energy payment increase

Under the final rule, retailers will no longer be required to provide advance notice of a price decrease or energy payment increase. Instead, retailers will be required to provide notice as soon as practical after the price decrease or energy payment increase occurs and no later than the next bill.

Origin highlighted that extending the price notification requirements applies to both price increases and decreases under the draft rule. This is not in the customer's best interest as it could delay implementation of price decreases. Origin recommended that the Commission review the application of rule 46 and limit the requirements to price increases.<sup>154</sup>

The Commission considers that advance notice of price decreases is not inherently in the customer's best interest. Further, the [Assisting hardship customers](#) rule change will require retailers to check at least every 100 days if the hardship customer is on the deemed better offer and provide a financial benefit equal to the deemed better offer, fulfilling this obligation may involve a price decrease.<sup>155</sup> The requirement for advance notice may delay when customers receive this benefit. It is also in the retailer's business interest to notify their customers as soon as practical that customers have received a price decrease.

## 5.3 The final rule has two exceptions where other price increases are allowed

### Box 13: Final determination - the 12-month limitation will not apply to network tariff reassignments and rates that vary in relation to the spot price

The final rule will allow retailers to increase prices outside of the 12-month restrictions under the following circumstances:

- the customer is assigned to a different network tariff (eg because they change from being a small customer to being a large customer)
- where the contract provides that a tariff, charge or energy payment varies in relation to the prevailing spot price of energy.

We have clarified that network tariff reassignments made by the distributor are exempt from the final rule, along with those requested by the customer or retailer.

The final rule includes the following carve-outs to the rule, where retailers will be allowed to increase prices outside the once every 12-month requirements. The two exceptions are as follows:

1. if there is a network tariff reassignment<sup>156</sup>
2. where the contract provides that a tariff or charge, or energy payment, varies in relation to the prevailing spot price of energy.<sup>157</sup>

<sup>153</sup> See NERR rules 48(3) and 48A(2)(b).

<sup>154</sup> Origin, submission to the draft determination, p. 2.

<sup>155</sup> See final rule 75C and 75C.

<sup>156</sup> See final rule 46AA(3)(a). Note that the *Accelerating smart meter deployment* rule change transitional protections will still apply, and will not be affected by our final rule.

<sup>157</sup> See final rule 46AA(3)(b).

Some retailers broadly support the exemptions to the rule.<sup>158</sup> Some retailers suggested additional exemptions which are included in the analysis below. We did not include any additional exemptions in the final rule.

### 5.3.1 Network tariff reassignments are different from price increases

We consider that network tariff reassignments are different from retailer-led price increases. Network tariff reassignments result from a distributor making a decision based on an individual customer's circumstances changing or from a customer's choice. For example, premises may change from business use to residential use or the customer installs solar and takes up a solar export tariff. Retailers are often unaware ahead of time when a reassignment occurs. These are not price increases of the kind captured by the final rule.<sup>159</sup>

Origin highlighted that, in the draft rule, subrule 46AA(3)(a) would only capture a tariff reassignment where the retailer has requested the network tariff change.<sup>160</sup> As noted above, the intention of the exemption was to capture network tariff reassignments, including those made by the distributor other than on a retailer's request. We have amended the final rule to capture this scenario, by removing the explicit reference to retailer-requested changes.<sup>161</sup> We note that retailers are only allowed to request a network tariff reassignment once every 12-months (other than for customer-requested changes).<sup>162</sup>

We note that restrictions on network tariff reassignment due to a change in metering were introduced for a period of time under the AEMC's *Accelerating smart meter deployment rule 2024* transitional protections.<sup>163</sup> This will not be affected by our final rule.

### 5.3.2 Prices that vary with the wholesale spot price will be allowed

The Commission considers that ensuring engaged consumers can still benefit from entering contracts with innovative pricing structures is important. In particular, the Commission considers it appropriate to allow exemptions from the 12-month restriction for rates (including energy payments) that vary in relation to the spot price.

The final rule will allow consumers to access innovative offers, such offers that provide access to the real-time changing wholesale price of energy. Engie noted that innovative offerings such as Virtual Power Plant (VPP) products and solar curtailment solutions often rely on market price signals or distribution network controls that may vary frequently.<sup>164</sup> The final rule does not exempt price changes that arise from distribution network controls. This is something the Commission will examine under item M.3 of the Commonwealth's CER roadmap.<sup>165</sup>

We note that other non-variable parts of the offer, e.g. flat monthly payments, will remain subject to the 12-month rule on price changes.

<sup>158</sup> Submissions to the draft determination: Energy Locals, p. 2; Engie, p. 6; Origin, p. 3.

<sup>159</sup> See final rule 46AA(3)(a). Note that specific after-the-fact notice provisions apply in this case - see NERR rule 46(4C).

<sup>160</sup> Origin, submission to the draft determination, p. 3.

<sup>161</sup> See final rule 46AA(3)(a).

<sup>162</sup> See NER clause 6B.A3.2.

<sup>163</sup> Retailers must still comply with the two-year explicit informed consent period for any retail tariff structure variations following a smart meter upgrade and must provide at least 30 business days' notice when transitioning customers to a different pricing structure during the Legacy Meter Replacement Period as a result of a smart meter upgrade. For further details see section 3.3 of the *Accelerating smart meter deployment* final determination.

<sup>164</sup> Engie, submission to the consultation paper, p. 6.

<sup>165</sup> Item M.3 will examine the roles and responsibilities of distribution level market operations to better integrate CER, including Distribution System Operators (DSO). See more [here](#).

### 5.3.3 We considered but did not adopt a number of other exemptions

In response to the draft determination, retailers supported a number of additional carve-outs to the final rule, specifically for:<sup>166</sup>

- fees and charges
- the end of a benefit period
- in case of a serious market event
- a formal exemptions process
- a material pricing error.

AGL expressed that some fees and charges are revised at different intervals, such as those set by the Reserve Bank of Australia, and should be applied to the entire customer base uniformly. It considered that the fees must be set at a consistent rate for both standard and market retail contract customers, meaning that the date of the price increase would in practice be 1 July for all customers without an exemption.<sup>167</sup>

We acknowledge that changes to inputs like interest rates will potentially affect payment processing fees and merchant fees. While these charges must represent reasonable costs, there would be no issue if costs for some customers were lower for a period of time, as long as the costs charged were at or below reasonable costs. We note some retailers may need to make system updates to accommodate how they charge customers fees to enable them to have different fees for different customer bases, but expect this would already occur in practice, for example where fees are prohibited or capped by different jurisdictions.

AEC, Engie and Energy Locals recommend that the AER be granted discretion to approve out-of-cycle price changes for innovative products and services on a case-by-case basis.<sup>168</sup> This could be a similar mechanism to the ESC in Victoria.<sup>169</sup>

The Commission considers that a formal exemptions process run by the AER will increase costs of the final rule and increase complexity for customers. The AEMC's [pricing review](#) and the [BECE review](#) are examining the market arrangements needed for innovative products and services and will be able to consider this more holistically.

Some retailers recommended that price increases should be allowed in cases of an extreme market event, similar to events in 2022.<sup>170</sup> The Commission considers that providing an exemption for retailers to pass through costs in case of an unforeseen serious market event is not in the best interests of consumers. The role of the retailer is to manage these risks on behalf of customers through hedging. Allowing retailers to pass-through these costs removes the incentive on retailers to properly manage wholesale market risks on behalf of their customers.

Origin also recommended that price changes resulting from the end of a benefit period should be exempt from the final rule.<sup>171</sup> The Commission notes that price changes that occur as a result of a benefit period ending are not captured by the final rule. The final rule 46AA includes a note to clarify this. As Origin highlighted in its submission, rule 46(4B)(b) of the NERR does not require a

<sup>166</sup> Submissions to the draft determination: Energy Locals, p. 2; AGL, pp. 11-13; Engie, p. 6; Origin, p. 3; AEC, p. 2.

<sup>167</sup> AGL, submission to the draft determination, p. 11.

<sup>168</sup> Submissions to the draft determination: Engie, p. 6; Energy Locals, p. 2; AEC, p. 2.

<sup>169</sup> Engie, submission to the draft determination, p.6; In its decision, ESC Victoria set up an exemptions framework with two components: a standing exemption for specific categories of products that are automatically exempt (such as tariffs that continually vary in relation to the spot price of electricity), and an ESC granted exemption where retailers apply to have their product exempted. For details see page 43 of the 2020 ESC Victoria decision [here](#).

<sup>170</sup> Submissions to the draft determination: Energy Locals, p. 2; AEC, p. 2; Engie, p. 6.

<sup>171</sup> Origin, submission to the draft determination, p. 3.

retailer to issue a separate price change notice where the change is a direct result of a benefit change.<sup>172</sup> In chapter 3 we outline that when a benefit ends, the underlying rates must be no higher than the retailers' standing offer.<sup>173</sup>

## 5.4 Retailers will have 12 months to implement the rule change

### **Box 14: Final determination - retailers will have 12 months to implement the rule changes**

The final rule provides retailers with 12 months to implement the final rule. Retailers will be required to comply with the rules by 1 July 2026.

There has been no change between the draft and final rule.

The final rule will take effect on 1 July 2026. This applies across all substantive components of the final rule which encompasses all four consolidated rule change requests. AGL noted that if the Commission were to implement a rule, that it should occur after July 2025 to provide retailers time to adjust prices in response to network and DMO changes.<sup>174</sup> Having the rule apply from 1 July 2026 is appropriate because:

- it aligns with the key period where prices can change
- retailers will have sufficient time to adjust their customer and hedging contracts, if necessary
- it will allow the AER and retailers time to adjust retail costs for the 2026-27 DMO.

<sup>172</sup> Origin, submission to the draft determination, p. 3.

<sup>173</sup> See final rule, rule 48C.

<sup>174</sup> AGL, p. 8, submission to the consultation paper.

## 6 Restricting retail fees

The Commission has made a final rule that will provide consumers experiencing vulnerability more certainty about their bills, reduce the types of fees that retailers can charge, and increase transparency of fees for all consumers.

The final rule does this by:

- prohibiting retailers charging any fees (excluding network charges) to:
  - hardship customers
  - customers that are experiencing payment difficulty
  - customers experiencing family violence
- restricting all fees to reflect reasonable estimates of costs incurred by the retailer, for all customers
- prohibiting account establishment fees, special meter read fees at the start and end of contracts, re-energisation and de-energisation fees for all customers (excluding network charges)
- requiring retailers to provide at least one free payment method that is commonly used and easily accessible for their customers.

For the avoidance of doubt, retailers remain able to charge customers their contracted energy rates, which include all components of market offer prices, or standing offer prices, other than fees.

The key changes from the draft to final rule are:

- removing the prohibition of fees for customers receiving a concession
- allowing retailers to pass through fees that are network charges
- prohibiting special meter read fees, re-energisation and de-energisation fees for all customers (excluding network charges).

Our final rule will take effect for all existing and new market and standard retail contracts from 1 July 2026.

### 6.1 Consumers experiencing vulnerability will not be charged fees

#### **Box 15: Final determination - All retailer fees will be prohibited for vulnerable consumers**

The final rule will prohibit retailers from charging any fees to hardship customers, customers experiencing payment difficulty and customers affected by family violence.

Retailers will be able to pass through fees that are network charges. Typically, these are fees for services that are customer-initiated or requested by the retailer on behalf of the customer, for example, meter reconfigurations.

#### **We have made key changes from draft to final**

The final rule refines who is captured under vulnerable customers and removes customers receiving a concession.

The final rule also clarifies that network charges will be able to be charged, including for vulnerable customers.

The Commission has made a final rule to protect consumers experiencing vulnerability from unexpected costs by prohibiting all fees for customers of these kinds:<sup>175</sup>

- hardship customers
- residential customers who are not hardship customers but who are experiencing payment difficulty, and
- customers who may be affected by family violence.

The final rule will ensure that the costs these consumers will face are limited to their energy rates (which include network charges). Therefore, vulnerable consumers will have greater certainty about their bills and incidents of bill shock associated with unexpected fees will be reduced. Prohibiting fees (excluding network charges) to vulnerable consumers is the most equitable approach to addressing the issue outlined in the rule change request. It maximises the benefits to consumers who most need it, at low cost to retailers and other consumers.

This aligns with feedback from stakeholders to the consultation paper that vulnerable consumers are impacted more by fees and charges because they have difficulties engaging with the market.<sup>176</sup> Stakeholders further expressed support for the policy intention to prohibit fees and charges for vulnerable consumers in their submissions to the draft determination.<sup>177</sup>

The final rule addresses concerns raised by the proponent in relation to the transparency of fees and charges when entering a retail energy contract and the validity of fees and charges that are incurred in the usual business of entering and maintaining a retail energy contract.<sup>178</sup>

We consider that the final rule will reduce the burden of managing different jurisdictional arrangements that retailers raised as a concern. Currently, states and territories have already implemented limitations on particular fees and charges through jurisdictional derogations.<sup>179</sup> These derogations typically relate to prohibiting or limiting certain fees and charges for vulnerable consumers. Stakeholders raised that existing jurisdictional derogations can be administratively burdensome for retailers to comply with, and any opportunity to align derogations would be preferred.<sup>180</sup>

The Commission maintains the view that prohibiting all fees for vulnerable consumers provides certainty over their bills and mitigates against the risk of new fees being developed in the future. However, in response to stakeholder feedback we have refined the types of customers who are considered to be vulnerable for the purposes of the rule (concession customers have been removed). Although most retailers were supportive of the intent of the rule some retailers were concerned with the practical operation of the rule in relation to concession customers, given some government concessions apply very broadly.<sup>181</sup> This is discussed further in section 6.1.

The final rule also differs from the draft rule in the treatment of fees that are network charges.<sup>182</sup> Retailers expressed the view that prohibiting network fees would be unreasonable as these are

<sup>175</sup> Final rule 52A(1).

<sup>176</sup> Submissions to the consultation paper: AEC, p. 3; Council on the Ageing, p. 4; ECA, pp. 11-14; Engie, p. 7; EWON, EWOQ, EWOSA, pp. 4-5; JEC, pp. 14-15.

<sup>177</sup> Submissions to the draft determination: EWON, EWOQ, EWOSA, p. 4; ECA, p. 3; EnergyAustralia, p. 9; Engie, p. 7; Red & Lumo Energy, p. 4; AGL, p. 8; Momentum, p. 1; JEC, p. 4; AEC, p. 3.

<sup>178</sup> ECMC, *Removing fees and charges*, rule change request, pp. 1-2.

<sup>179</sup> See chapter 6 of the draft determination for more details.

<sup>180</sup> Submissions to the consultation paper: AGL, p. 5; Alinta Energy, p. 6; Compliance Quarter, p. 4; Energy Locals, p. 8; Engie, p. 6; EWON, EWOQ, EWOSA, p. 5.

<sup>181</sup> Submissions to the draft determination: EnergyAustralia, pp. 9-10; Momentum, p. 1; AEC, p. 2; Energy Locals, p. 3; AGL, p. 8; Alinta, p. 7; Origin, p. 4; Red & Lumo Energy, p. 4.

<sup>182</sup> The types of network charges that are fees typically relate to connection services offered by energy distributors to specific customers upon request by the customer or retailer (as distinct from general supply charges).

service costs that are outside of the retailer's control and are already subject to regulation by the AER.<sup>183</sup> This is discussed further in section 6.1.2.

The Commission considers it will be relatively simple to check compliance with the final rule because the obligations on retailers are clear. Requiring retailers to not charge any vulnerable consumer any fee, excluding fees that are networks charges, will make it easier for the AER and ombudsmen to confirm compliance through complaints and active monitoring. The AER noted that the new rule will require additional proactive compliance monitoring, and in some cases will require the AER to determine whether a fee is no higher than the reasonable estimate of a retailer's costs, which will have resourcing implications.<sup>184</sup> The Commission acknowledges these additional resourcing requirements on the AER.

The Commission plans to recommend to energy ministers that the requirement not to charge vulnerable consumers fees be a tier 1 civil penalty provision. The AER recommended that this civil penalty recommendation align with the tier 1 provisions under the NERR prohibiting late payment fees for hardship customers (which we are removing in this final rule due to overlap with the new rule), noting that the provisions are closely aligned.<sup>185</sup> The Commission agrees with the AER and has increased the civil penalty tier recommendation from tier 2 to tier 1. See appendix B.4 for further details on the planned civil penalty recommendations.

### 6.1.1 We have refined how the rule applies to vulnerable customers

#### Customers receiving a concession are not included in the application of this rule

The final rule does not categorise customers receiving a concession as vulnerable customers for the application of this rule. We consider that narrowing the application of the final rule to the existing hardship customers, payment difficulty and family violence provisions within the NECF is appropriate because:

- it will be simple for retailers to implement, reducing the overall cost of the final rule
- the eligibility and governance of concessions sits outside the NERR and risks expansion or contraction of the application of the rule - as discussed further below, current concession programs are very broad
- the BECE review is examining the broader operation of concessions in the NEM.

Ombudsmen and consumer groups supported the inclusion of concession customers.<sup>186</sup> However, retailers raised concerns about the operation of the draft rule, stating that the application of the rule to concession customers was too broad and may capture consumers who would not be considered to be vulnerable.<sup>187</sup> Specifically, retailers raised that the drafting of the rule to include customers receiving a 'rebate, concession or relief under any government-funded energy charge rebate, concession or relief scheme' may capture customers who are not vulnerable, including those receiving the Commonwealth Energy Bill Relief rebate, which applies to all customers.<sup>188</sup> Origin also outlined that Queensland's Seniors Rebate would be captured under the draft rule and this rebate is available to all residents over 65 years of age, provided they hold a Queensland or Commonwealth seniors card, irrespective of income or other considerations.<sup>189</sup>

183 Submissions to the draft determination: Energy Locals, p. 3; Red & Lumo Energy, p. 4; Origin, pp. 4-5; AEC, p. 2; Alinta, p. 7; AGL, p. 9; Engie, p. 8.

184 AER, submission to the draft determination, p. 3.

185 AER, submission to the draft determination, p. 4.

186 Submissions to the draft determination: EWON, EWQQ, EWOSA, p. 4; ECA, p. 3; JEC, p. 4.

187 Submissions to the draft determination: EnergyAustralia, pp. 9-10; Momentum, pp. 1-2; AEC, p. 2; Energy Locals, p. 3; AGL, p. 8; Alinta, p. 7; Origin, p. 4; Red & Lumo Energy, p. 4.

188 Submissions to the draft determination: AGL, p. 8; Red & Lumo Energy, p. 4; Momentum, pp. 1-2; Energy Locals, p. 3; Engie, p. 7; EnergyAustralia, pp. 9-10.



We recognise stakeholders' concerns and have amended the final rule to remove the application to customers receiving a concession. Eligibility for energy concessions and rebates, and how they operate, exist outside the NECF. These requirements could be changed by jurisdictions in the future potentially broadening the application of the rule further, or narrowing it. The AER's Review of payment difficulty protections in the National Energy Customer Framework has recommended changes to the definitions of hardship and payment difficulty.<sup>190</sup> We consider applying the rule to existing definitions of payment difficulty will reduce the regulatory burden of any future changes. We have balanced considerations and decided to narrow the application of the rule.

Narrowing the application of the rule to closely align with current definitions under the NECF will reduce the regulatory costs of any intended changes to the payment difficulty and concession protections, while still achieving the objective of the rule to protect vulnerable consumers.

#### **We have clarified how the rule applies to payment plan customers**

The final rule applies to customers who are eligible under the NERL to be on payment plans.<sup>191</sup> This includes hardship customers as well as those who are not hardship customers but are experiencing payment difficulty as identified by their retailer or self-identified by the customer.

The draft rule specifically referred to customers on payment plans. Some retailers requested clarification around the definition of a payment plan customer and noted that customers may voluntarily sign up to a payment plan due to their own preference to manage their energy costs.<sup>192</sup>

We note that, under the NERL, the definition of 'payment plan' only includes hardship customers and those experiencing payment difficulty.<sup>193</sup> The NERL obligations regarding payment plans do not apply to customers who are not experiencing payment difficulty and choose to pay by instalments for other reasons. However, due to this request for clarification, we have amended the final rule to remove the specific reference to customers on payment plans, and instead capture all the customers who would be required to be offered payment plans under the NERL. This will reduce confusion and limit the risk of unintended consequences.

#### **We considered including life support customers**

The AEC considered that life support customers should be considered vulnerable in the context of this rule change.<sup>194</sup> The Commission considers some life support customers are likely to be vulnerable, but notes those customers will likely be already captured under another category in the final rule. Essential Energy and South Australia Power Networks have proposed a rule change to narrow the definition of a life support customer.<sup>195</sup> If the Commission determines to narrow that definition in that rule change, it may also assess the appropriateness of including life support customers as fee-free customers in rule 52A as a consequential change, as part of the life support rule change.

### **6.1.2 Network charges will be able to be passed through to all customers**

The final rule differs from the draft rule in that it allows retailers to pass through fees that are network charges to all customers, however they must reflect the actual costs the distributor

189 Origin, submission to the draft determination, p. 4.

190 AER, Review of payment difficulty protections in the National Energy Customer Framework, p. 2.

191 Final rule, subrule 52A(1); NERL definition of "payment plan" in section 2.

192 Submissions to the draft determination: Alinta, p. 7; EnergyAustralia, p. 9; Engie, p. 7; Origin, p. 4.

193 NERL, s 2 and s 50.

194 AEC, submission to the draft determination, p. 2.

195 See the rule change proposal [here](#).



charges the retailer under the National Electricity Rules and the National Gas Rules. We consider this exemption to be appropriate because prohibiting retailers from passing on network changes will create unintended consequences by preventing distribution networks (distribution networks include both electricity distribution network service providers and gas distributors) from charging these costs.

Retailers did not support any limitation on a retailer's ability to pass through network fees because these fees are costs often outside the retailer's direct control and are already regulated by the AER.<sup>196</sup> For these reasons, retailers requested that if they can not recover these costs from customers, then distribution networks should not be able to charge network charges.<sup>197</sup>

AGL and Engie additionally raised that Clause 6B.A3.1(a) of the National Electricity Rules (NER) and rule 508 of the National Gas Rules (NGR) prohibits distribution networks from recovering charges from a retailer if a retailer is not permitted to recover network charges from the shared customer.<sup>198</sup>

We consider that the draft rule would have created unintended consequences by restricting the ability for distribution network to recover costs for network charges. The policy intent of the rule is not to restrict network charges that have already been determined as appropriate by the AER through the Tariff Structure Statement and annual pricing process.

The final rule will therefore prohibit retailers from charging any fees and charges, except if they are a network charge that a distribution network is entitled to claim for customer connection services.<sup>199</sup> Network charges are regulated by the AER under the NER and NGR. Network charges that are fees are typically for services that are customer-initiated or requested on behalf of the customer by the retailer, e.g. to perform a reconfiguration of the connection to the premises, involving a site visit. These fees are directly recovered from customers seeking the service, via the customer's retailer. See Table 6.1 below for some examples of the types of fees that will be exempt from the new rule, and can continue to be charged to customers.

**Table 6.1: Network charge examples**

Types of fees	Description
Special meter-read fee	A special meter reading visit occurs when a customer requests a check read or special read at premises outside of the normal meter read schedule, where the distributor provides metering services, eg for gas meters and older electricity meters. (Note distributors do not provide metering services for new smart meters; these can also be read remotely and do not require a site visit to read).
Meter reconfiguration	On-site reconfiguration of meters in response to customer requests such as changes to tariffs, two-rate meter settings, disabling or re-enabling remote communications and reconfiguring time clocks, where the distributor provides metering services.
Disconnection/reconnection	Customer or retailer request to manually disconnect or reconnect supply to the premises (note that these fees would not typically apply

<sup>196</sup> Submissions to the draft determination: Energy Locals, p. 3; Red & Lumo Energy, p. 4; Origin, pp. 4-5; AEC, p. 2; Alinta, p. 7; AGL, p. 9; Engie, p. 8.

<sup>197</sup> Submissions to the draft determination: AEC, p. 2; Alinta, p. 7; EnergyAustralia, p. 10; Engie, p. 8; Origin, p. 5; Red & Lumo Energy, p. 4; AGL, pp. 9-10; Momentum, p. 2.

<sup>198</sup> Submissions to the consultation paper: AGL, pp. 9-10; Engie, p. 8.

<sup>199</sup> See the definition of "network charges" in section 2 of the NERL.

Types of fees	Description
	to smart meters, which have the capability to remotely reconnect and disconnect supply to the premises).

Source: Ausgrid, SA Power Networks and Citi-Power network tariff and charge lists.

### 6.1.3 The Commission considers the costs to retailers and consumers will be limited

#### **This provision of the final rule will only apply to a small group of consumers**

The Commission considers that the final rule prohibiting fees for hardship customers, customers experiencing payment difficulties and customers affected by family violence will only impose minor costs on retailers and all consumers. As stakeholders and the proponent have expressed, for any fees that are prohibited retailers will recover costs by including these in the overall prices for all consumers.<sup>200</sup>

Retailers commented in submissions to the draft determination that spreading the costs of network charges for vulnerable customers across all consumers may be costly and unfair for other consumers.<sup>201</sup> We note the final rule will not prohibit retailers passing on network charges, and therefore this issue is mitigated.

The Commission anticipates that the costs of this provision of the final rule will be small because the number of consumers it will affect is further limited. Using the AER's latest retail performance data, around three per cent of consumers will be covered by the final rule (see Figure 6.1 below).<sup>202</sup> We note the number of customers identified as customers who may be affected by family violence is not publicly reported and is not included below.

The Commission also notes that the final rule may impose costs to retailers to update their billing systems to ensure these consumers are not charged fees. We do not expect these costs to be material because some jurisdictions (see chapter 6 of the [draft determination](#)) and the current rules already restrict fees for some of these consumers, therefore changes to billing systems should be manageable.<sup>203</sup>

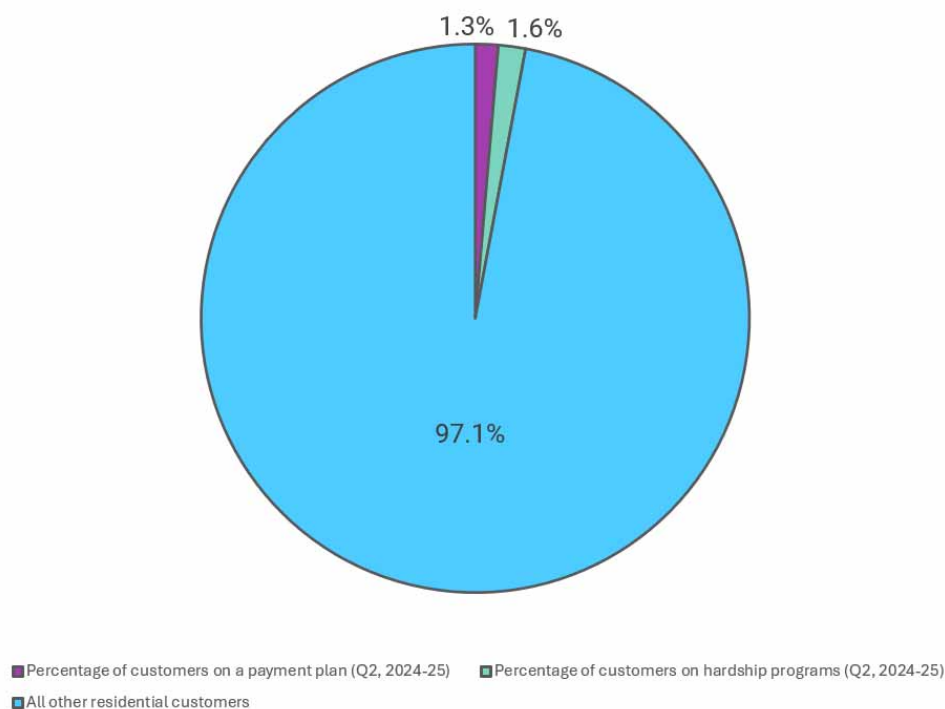
200 ECMC, *Removing fees and charges*, rule change request, p. 2; submissions to the consultation paper: AEC, p. 3; Alinta Energy, p. 5; Aurora Energy, p. 2; Compliance Quarter, p. 3; Energy Locals, p. 7; EnergyAustralia, p. 13; Powershop, p. 3; Red & Lumo Energy, p. 4.

201 Submissions to the draft determination: Energy Locals, p. 3; Red & Lumo Energy, p. 4; Origin, pp. 4-5; AEC, p. 2; Alinta, p. 7; AGL, p. 9; Engie, p. 8.

202 We note there is overlap between some hardship and payment plan customers.

203 Under current NERR rule 73 and the AER's *Customer hardship policy guideline*, retailers are prohibited from charging hardship customers late payment fees. See more [here](#)

**Figure 6.1: Percentage of customers on hardship programs and payment plans**



Source: AER, *Retail energy market performance update* for Quarter 2, 2024-25, March 2025.

### The average costs of fees are relatively low and tied to specific actions

The Commission also considers the costs of the final rule will be low because most fees are not levied frequently and their costs are typically small. As stakeholders noted, some fees are used as signals to promote or discourage certain behaviours.<sup>204</sup> For example, paper bill fees are only incurred by consumers who choose to receive their bill in paper form, which would typically only occur once every billing cycle and cost on average \$1.90 (see chapter 6 of the [draft determination](#) for the most common fees and charges levied on residential electricity consumers).

We note that spreading retailer fees for vulnerable customers across all consumers will impact consumers' overall prices, however the total shared costs under the final rule will be small, given the costs:

- are drawn from a small consumer cohort
- reflect specific fees that are not incurred very often
- will be rolled into prices which face competitive pressure.

As noted in section 6.1.2, network charges, which are typically the most expensive, will be exempt from the final rule and will not be shared across customers.

<sup>204</sup> Submissions to the consultation paper: AEC, p. 3; AGL, p. 5; Alinta Energy, p. 5; Aurora Energy, p. 2; Compliance Quarter, p. 3; Energy Locals, p. 7; EnergyAustralia, pp. 13-14; Powershop, p. 3; Red & Lumo Energy, pp. 4-5.

### Retailers will be able to manage the change in cost-recovery

The Commission considers that retailers will be able to manage the change in cost-recovery as these fees can likely be rolled into energy rates. Some retailers highlighted that removing fees and charges will impact how costs are recovered from standard retail contract customers.<sup>205</sup>

The AER noted in its submission to the draft determination that the DMO methodology includes an allowance for the costs retailers incur to serve customers. A customer action that incurs a fee also has a cost to the retailer, which will be included in the information retailers report to the AER for calculating the DMO.<sup>206</sup>

Given that the final rule will not take effect until 1 July 2026, it will provide retailers and the AER sufficient time to include these changes in the next DMO calculations, if it is determined to be necessary and appropriate.

### The final rule is an equitable approach

The final rule provides a more equitable solution to the issue the proponent raised by targeting the solution to consumers who are most affected by fees. Vulnerable consumers are less able to understand and respond to the signals that fees are designed to send, therefore they are often at greater risk of incurring these fees, while also having less adaptive capacity to pay them.

Stakeholders overwhelmingly supported the intention of the draft rule to protect vulnerable consumers from fees that may cause them harm.<sup>207</sup> Stakeholders submitted that vulnerable consumers are less able to respond to the signals fees are designed to send, therefore they are often at greater risk of incurring these fees.<sup>208</sup>

Some stakeholders considered that prohibiting specific fees for all consumers may create unintended consequences such as reducing the fairness and transparency of prices if costs specific to actions of individual consumers are spread across all consumers.<sup>209</sup>

The final rule provides vulnerable consumers greater predictability about their bills, at a lower cost to retailers and other consumers than prohibiting all fees for all consumers. The final rule provides a simple approach for retailers and vulnerable consumers.

## 6.2 Fees will be restricted to reasonable estimates of retailer costs for all other consumers

### Box 16: Final determination - For consumers not experiencing vulnerability, fees will reflect retailers' reasonable estimates of the costs they will incur

The final rule will require retailers to limit all fees to reasonable estimates of the costs incurred by the retailer in providing their customers the relevant service, for all customers other than vulnerable customers.

Other than simplifying the drafting and excluding fees that are network charges, there is no change from the draft rule for this component of the final rule.

<sup>205</sup> Submissions to the consultation paper: AEC, p. 3; AGL, p. 7; Alinta Energy, p. 6; Energy Locals, p. 7; Red & Lumo Energy, pp. 4-5.

<sup>206</sup> AER, submission to the draft determination, p. 4.

<sup>207</sup> Submissions to the draft determination: EWON, EWOQ, EWOSA, p. 4; ECA, p. 3; EnergyAustralia, p. 9; Engie, p. 7; Red & Lumo Energy, p. 4; AGL, p. 8; Momentum, p. 1; JEC, p. 4.

<sup>208</sup> Submissions to the consultation paper: EWON, EWOQ, EWOSA, p. 4; JEC, pp. 14-15.

<sup>209</sup> Submissions to the consultation paper: AEC, p. 3; AGL, p. 5; Alinta Energy, p. 5; Aurora Energy, p. 2; Compliance Quarter, p. 3; Energy Locals, p. 7; EnergyAustralia, pp. 13-14; Powershop, p. 3; Red & Lumo Energy, pp. 4-5.

The final rule will prohibit retailers from charging fees that exceed a reasonable estimate of costs incurred by the retailer in providing the service to which the fee relates.<sup>210</sup> This is in line with the draft rule and is a proportionate approach that improves the transparency of fees to consumers, minimising costs to consumers and enabling important pricing signals to remain.

The final rule will address the issue raised in the rule change request that fees and charges are often not transparent by requiring fees to reflect a reasonable estimate of retailers' costs.<sup>211</sup> Requiring all fees to reflect reasonable estimates of retailers' costs will not impact how the AER can check compliance through its DMO calculations, which examine the costs associated with retailers' businesses.

The Commission agrees with stakeholder submissions to the consultation paper and draft determination that many fees and charges represent legitimate costs that retailers incur as a result of consumers making certain choices (eg paying their bills by telephone).<sup>212</sup> However, we consider that fees should not include a cost mark-up and should be restricted to the estimated costs incurred by the retailer.

Stakeholders overwhelmingly support the draft rule limiting fees and charges to reflect the reasonable estimate of costs incurred by the retailer.<sup>213</sup>

This aligned with feedback to the consultation paper where retailers expressed that blanket prohibitions may have unintended consequences.<sup>214</sup> For example, the AEC noted that a "wholesale removal of all these fees and charges would diminish retailers' ability to selectively manage their risk, leading to these costs being spread across their entire customer base".<sup>215</sup>

The Commission plans to recommend that the requirement to limit fees to a reasonable estimate of the retailer's costs should be a tier 2 civil penalty provision. See appendix B.4 for further details on the civil penalty recommendations.

### 6.2.1 The AER will need to update the *Retail pricing information guidelines*

#### **Box 17: Final determination - The AER must review the *Retail pricing information guidelines* and update them if necessary**

To further improve the transparency of fees and charges, the AER must review the *Retail pricing information guidelines*, and if necessary amend them to take into account the final rule.

We recommend that the AER update the guidelines to require retailers to include the following in energy plan documents and information on Energy Made Easy:

- a description of the key fees and charges
- the circumstances in which key fee and charges will be charged
- paper bill fees as a key charge, either within payment processing fees in section 47(i) of the guideline, or as a separate line item.

The final rule also requires retail marketers to provide information on the circumstances in which

<sup>210</sup> Final rule 52A(2).

<sup>211</sup> ECMC, *Removing fees and charges*, rule change request, p. 1.

<sup>212</sup> Submissions to the consultation paper: AEC, p. 3; AGL, p. 5; Alinta Energy, p. 5; Aurora Energy, p. 2; Compliance Quarter, p. 3; Energy Locals, p. 7; EnergyAustralia, p. 13; Engie, p. 6; Origin, p. 4; Powershop, p. 3; Red & Lumo Energy p. 4; Energy Local, submission to the draft determination, p. 3.

<sup>213</sup> Submissions to the draft determination: EWON, EWOQ, EWOSA, p. 4; ECA, p. 3; EnergyAustralia, p. 9; Engie, p. 7; Red & Lumo Energy, p. 4; AGL, p. 8; Momentum, p. 2; JEC, p. 4; Alinta, p. 7.

<sup>214</sup> Submissions to the consultation paper: Alinta Energy, p. 5; Energy Locals, p. 7; Engie p. 7; EnergyAustralia, p. 13; Powershop, p. 3.

<sup>215</sup> AEC, submission to the consultation paper, p. 3.

prices and charges are payable, when a consumer is considering entering into a market retail contract.

The Commission considers that the transparency of fees and charges could be improved if further information is provided to consumers. Retailers are currently required to include 'key fees' applicable to a plan on Energy Made Easy, however no description of what the key fee is or how it may be incurred is required.

Stakeholders supported the draft recommendation that the AER update the *Retail pricing information guidelines* to improve the transparency of fees and charges.<sup>216</sup> The AER outlined that it will be consulting on proposed changes to the *Retail pricing information guidelines* in October 2025, with potential changes likely occurring in quarter four of 2026.<sup>217</sup> We note that the final rule is not dependent on any changes to the *Retail pricing information guidelines* and the rule only requires the AER to consider if changes are necessary. We have taken the AER's feedback into account and recommend the AER finalise its review by 31 December 2026.

Our recommended changes to the *Retail pricing information guidelines* may address concerns from the proponent by ensuring consumers are making informed decisions when entering into a retail energy contract.<sup>218</sup>

As a further step to increase transparency of charges (including fees) and payments under market retail contracts, the final rule adds to the information retail marketers are required to provide to consumers at or before the time they enter into a market retail contract. The additional requirement is information on the circumstances in which prices, charges and energy payments (eg solar feed-in tariffs) are payable under the contract.<sup>219</sup>

### 6.3 Account establishment fees and special metering fees that are not network charges will be prohibited for all consumers

#### **Box 18: Final determination - Account establishment fees and metering fees that are not network charges will be prohibited for all customers**

The final rule specifically prohibits retailers from charging any customers account establishment fees, as well as fees for meter reads for commencing or terminating a customer retail contract and fees for de-energisation or re-energisation of the customer's premises, unless these are network charges.

The final rule will prohibit retailers from charging account establishment fees and specific metering fees that are not network charges for all consumers.<sup>220</sup> The Commission considers these fees as essential aspects of the retailer/customer relationship and a cost of doing business that should be included within prices. The Commission also considers that these fees may act as a barrier to switching to a new retailer and reduce the efficiency of moving in or out of a property.

<sup>216</sup> Submissions to the draft determination: AGL, p. 8; EWON, EWOQ, EWOSA, p. 5.

<sup>217</sup> AER, submission to the draft determination, p. 2.

<sup>218</sup> ECMC, *Removing fees and charges*, rule change request, p. 1.

<sup>219</sup> Final rule, amendments to rule 64(1).

<sup>220</sup> Final rules 52A(2)(a) to (c).

We note that these fees would disproportionately affect renters who may move more frequently than other customers.

The proponent asked the Commission to consider which fees are incurred by consumers in the usual business of entering into and maintaining a retail energy contract and whether they should be prohibited in the rule change request.<sup>221</sup>

The Commission considers that account establishment fees and remote meter read fees for move-in and move out and remote de-energisation and re-energisation are costs of doing business and should be prohibited where these are not network charges. The Commission plans to recommend that this prohibition will be a tier 2 civil penalty provision.

The AER notes that checking compliance with the rule may be resource intensive by requiring spot checks to ensure contracts are compliant with the final rule before the provisions are listed in the [AER's Compliance procedures and guidelines](#).<sup>222</sup> We acknowledge that this will be an additional compliance check by the AER which will require resourcing. Outside of these compliance checks we consider that any instances where retailers have charged account establishment fees, remote move-in/out fees and remote de-energisation/ re-energisation fees will be captured by ombudsmen and the AER through complaints and checks on Energy Made Easy.

### 6.3.1 Account establishment fees reflect an essential aspect of being a retailer

Prohibiting account establishment fees will remove a potential switching barrier for consumers at minimal cost to retailers and all other consumers. Account establishment fees are levied on customers upon transfer from one retailer to another. The Commission considers this to be a fundamental aspect of being a retailer and charging an additional fee to fulfil this function could act as a barrier to consumers switching. Prohibiting this fee will also aid in consumers comparing offers transparently.

Energy ombudsmen support the draft rule removing account establishment fees.<sup>223</sup> No other stakeholders commented on this aspect of the draft rule.

Prohibiting account establishment fees may reduce transparency of this cost as it will instead be recovered in energy rates. However, the Commission considers that the impact to consumers will be minimal as analysis of plans from Energy Made Easy shows that less than 1 per cent of residential electricity contracts have this fee.

### 6.3.2 Prohibiting special metering fees will reduce costs of moving and billing

Prohibiting special meter read fees and re-energisation and de-energisation fees (other than network charges) will improve outcomes for consumers by reducing the upfront costs of moving, reconnecting electricity or gas obtaining meter reading for billing. We consider that these costs are costs of doing business and fundamental to the function of the retailer over the life cycle of the contract. These are fees charged by retailers relating to out of cycle metering, noting that remote meter reading and remote de-energisation and re-energisation typically incur very small to no fees for this service.<sup>224</sup>

The Commission expects that the final rule will only apply in practice to retailer fees for customers with a smart meter as network charges are not captured by the rule. The proportion of electricity

<sup>221</sup> ECMC, *Removing fees and charges*, rule change request, p. 2.

<sup>222</sup> AER, submission to the draft determination, p. 2.

<sup>223</sup> EWON, EWOQ, EWOSA, submission to the draft determination, p. 4.

<sup>224</sup> Analysis of retail energy plans in the NEM, June 2025.



customers with smart meters will steadily increase as the smart meter rollout will achieve universal uptake of smart meters for electricity by 2030.<sup>225</sup>

The final rule differs from the draft rule where the Commission proposed removing special meter read fees for move-in and move-out customers, without excluding network charges. These fees cover the cost of the MC or distributor reading an accumulation meter when moving in or out of a property to ensure billing is accurate. Stakeholders did not support this broader position as these fees are typically network fees that are under a 'user pays' model where the cost is apportioned to the customer requesting the service.<sup>226</sup>

As outlined in section 6.1.2, prohibiting special meter-read fees for accumulation meters would mean that distribution businesses will not be able to recover their costs. This was not the intent of the draft rule. Network charges are not captured in the final rule.

The final rule also differs from the draft rule as it does not allow retailers to charge de-energisation and re-energisation fees (other than network charges);<sup>227</sup> this was not covered in the draft rule. We have included this provision to reflect the Commission's view that these fees inflict small costs on retailers and could be considered part of doing business in a future with high penetration of smart meters.

### 6.3.3 The Commission considered other fees that could be considered the cost of doing business

The Commission considered whether other fees should be prohibited, including payment processing fees and paper bill fees, but has not included these as prohibitions in the final rule. This is in line with the draft determination.

#### Payment processing fees

The Commission considered that prohibiting payment processing fees for all consumers will be costly. These are fees charged for payments made by a credit card or debit card. JEC highlighted that these fees are a standard cost of doing business in any energy retail business.<sup>228</sup> The final determination does not prohibit these fees for all customers as these fees:

- are already required to be cost-reflective<sup>229</sup>
- are subject to an external review - the AEC noted that the Reserve Bank of Australia (RBA) is currently conducting a review of card payment costs and surcharging<sup>230</sup>
- represent a small percentage of a customer's total payment, and are costs associated with the method individuals choose to pay their bills.

While we consider the costs of prohibiting these fees for vulnerable consumers to be small and do not outweigh the benefits, prohibiting these fees for all consumers will have a greater impact. Retailers are however required to provide one free payment method under the final rule; see section 6.4 below.

#### Paper bill fees

The Commission considers that prohibiting paper bill fees for all consumers will remove a price signal for consumers to opt for a cheaper and more sustainable way to receive their bill.

<sup>225</sup> See the AEMC's final rule on *Accelerating smart meter deployment*, November 2024.

<sup>226</sup> Submissions to the draft determination: Energy Locals, p. 3; Red & Lumo Energy, p. 4; Origin, pp. 4-5; AEC, p. 2; Alinta, p. 7; AGL, p. 9; Engie, p. 8.

<sup>227</sup> Final rule 52A(2)(b).

<sup>228</sup> JEC, submission to the consultation paper, p. 15.

<sup>229</sup> See *Competition and Consumer Amendment (Payment Surcharges) Act 2016* (Cth).

<sup>230</sup> AEC, submission to consultation paper, p. 3; See the RBA's Issues Paper [here](#).



JEC submitted that consumers with poor or no access to the internet or digital literacy issues disproportionately pay these fees, in its submission to the consultation paper.<sup>231</sup> JEC reiterated its concerns with paper bill fees in response to the draft determination.<sup>232</sup> The Commission considers that prohibiting these fees for vulnerable consumers (see section 6.1 above) may address this issue for most of those consumers.

## 6.4 Consumers will be entitled to a free method to pay their bill

**Box 19: Final determination - Retailers will be required to provide at least one free payment method that is commonly used and easily accessible for their customers.**

The final rule will require retailers to offer their customers at least one free payment method that is commonly used and easily accessible - for example, this could be direct debit.<sup>233</sup> This aligns with the draft rule.

Stakeholders supported this proposal in submissions to the draft determination.<sup>234</sup> The ECA expressed the view that this consumer protection is long overdue.<sup>235</sup>

Under rule 32(1) of the NERR, retailers must accept payment for a bill by small customers on standard retail contracts in any of the following ways:

- in person
- by telephone
- by mail
- by direct debit
- by electronic funds transfer.

We note that direct debits and some forms of electronic funds transfer are generally free payment methods, however JEC noted that there are fees associated with direct debit dishonour fees.<sup>236</sup> This is a fee that is not attributed to the retailer or a fee for a payment method; rather, it is an additional fee levied in a specific circumstance where the payment method has failed due to insufficient funds.

Ensuring retailers must provide a free method that is commonly used and easily accessible will provide consumers certainty that they can pay their bill at no extra cost, no matter which retailer they switch to. Enshrining this requirement will provide consumers greater trust and certainty at minimal cost to retailers.

We note that our final rule will guarantee multiple free payment options for vulnerable consumers by prohibiting all fees.

The Commission plans to recommend that the requirement for retailers to provide at least one free payment method that is commonly used and easily accessible should be a tier 2 civil penalty provision. See appendix B.4 for further details on the proposed civil penalty provisions.

<sup>231</sup> JEC, submission to the consultation paper, p. 16.

<sup>232</sup> JEC, submission to the draft determination, p. 4.

<sup>233</sup> Final rule 32(1A).

<sup>234</sup> Submissions to the draft determination: EWON, EWOQ, EWOSA, p. 4; ECA, p. 3; EnergyAustralia, p. 10.

<sup>235</sup> ECA, submission to the draft determination, p. 3.

<sup>236</sup> This occurs when there are insufficient funds in the account when money is drawn; JEC, submission to the consultation paper, pp. 14-15.

## 6.5 Retailers will have 12 months to implement the rule change

### Box 20: Final determination - retailers will have 12 months to implement the rule changes

The final rule provides retailers with approximately 12 months to implement the final rule. Retailers will be required to comply with the rule by 1 July 2026.

The final rule provides that the substantive provisions of the rule will take effect on 1 July 2026. This applies across all four consolidated rule change requests. Having the rule apply from 1 July 2026 is appropriate because:

- it aligns with the key period where retailers can change the prices under their contracts
- retailers will have sufficient time to adjust their customer and hedging contracts, if necessary.

The AER recommends a six month transition period to allow retailers and the AER to update and approve hardship policies but also recommended that retailers comply with the obligation not to charge vulnerable customers fees from 1 July 2026.<sup>237</sup> As the requirements are directly in the NERR, the application of the rule is not dependent on the AER immediately updating its *Customer hardship policy guideline* and retailers' customer hardship policies to comply with the rule on 1 July 2026. Therefore, in line with changes outlined in the [Assisting hardship customers](#) rule change, the final rule specifies that the AER must, by 30 September 2026, review and if necessary update the *Customer hardship policy guideline* to take account of the amending rule.<sup>238</sup>

<sup>237</sup> AER, submission to the draft determination, pp. 2-3.

<sup>238</sup> Final rule, rule 10 of Part 20 of NERR schedule 3.

## A Rule making process

A standard rule change request includes the following stages:

- a proponent submits a rule change request
- the Commission initiates the rule change process by publishing a consultation paper and seeking stakeholder feedback
- stakeholders lodge submissions on the consultation paper and engage through other channels to make their views known to the AEMC project team
- the Commission publishes a draft determination and draft rule (if relevant)
- stakeholders lodge submissions on the draft determination and engage through other channels to make their views known to the AEMC project team
- the Commission publishes a final determination and final rule (if relevant).

You can find more information on the rule change process on our website.<sup>239</sup>

### A.1 The Energy and Climate Change Ministerial Council proposed rule changes to improve market retail contracts

The rule change requests were developed by ECMC in response to findings presented to energy ministers in March 2024 by the ACCC (see chapter 1 for a list of the four rule change requests). The ACCC found that consumers who do not regularly engage in the retail energy market experience higher prices.<sup>240</sup>

The rule change proposals sought to improve consumer confidence in the retail energy market by addressing issues relating to retail energy market contracts that are linked to legacy contracts as well as certainty and transparency of prices that consumers will pay on retail energy market contracts.

### A.2 The proposals sought to address the loyalty penalty paid by many consumers

The package of rule change requests stem from findings presented to the ECMC from the ACCC, AER and ECA. They found there are aspects of the regulatory framework that could be strengthened to better serve the interests of energy consumers. Specifically, the ACCC's June and December 2023 *Inquiry into the NEM* reports showed that:

- consumers who do not actively engage in the retail energy market experience higher prices (or "loyalty penalty"), particularly those on legacy plans with large conditional discounts or expired benefit periods
- energy plans need to be more transparent about the frequency of price changes and the underlying fees included.

### A.3 The proposals were to amend requirements relating to retail energy contracts

The proponent suggested changes to the NERR that would improve the clarity of retail contracts, by:

<sup>239</sup> See our website for more information on the rule change process: <https://www.aemc.gov.au/our-work/changing-energy-rules>

<sup>240</sup> ACCC, *Inquiry into the NEM*, December 2023, p. 5

- requiring any benefit provided under a contract to extend for the duration of the contract
- removing the grandfathering arrangement in the Commission's *Regulating conditional discounting* final rule in 2020 to ensure that any conditional fees or discounts are limited to reasonable costs for those contracts in force prior to 1 July 2020
- prohibiting increases to tariffs or charges payable by consumers for a specified fixed period following commencement of an energy plan
- removing specific fees that retailers typically levy in relation to establishing and maintaining contracts.

## A.4 The rule change process to date

On 28 November 2024, the Commission published a notice advising of the initiation of the rule making process and consultation in respect of the rule change request.<sup>241</sup> A consultation paper identifying specific issues for consultation across all four rule change requests was also published. The Commission received 18 submissions to the consultation paper. Issues raised in these submissions were summarised and responded to in the draft rule determination.

On 27 March, the Commission published a draft rule determination including a draft rule. The Commission received 12 submissions on the draft rule determination. Issues raised in submissions are discussed and responded to throughout this final rule determination.

With effect from the date of the draft determination, the Commission consolidated the four rule change requests into one project (project code RRC0058), under NERL section 248. The Commission considered it desirable to do this to allow for an integrated approach, given the relationships between the issues and solutions identified in the four rule change requests.

## A.5 The Victorian ESC is also considering the rule change proposals as part of its review of the Energy Retail Code

The Victorian Essential Services Commission's (ESC VIC) current review of its Energy Retail Code of Practice is considering the same or similar rule changes as those proposed by the ECMC and considered in this final determination. More information on its review can be found [here](#). We have engaged with the ESC VIC as part of this rule change to consider points of alignment. ESC VIC may make recommendations that may align with or be additional to our final rule. The ESC VIC expects to make a final decision on these reforms in 2025.

<sup>241</sup> This notice was published under section 251 of the NERL.

## B Legal requirements to make a final rule

This appendix sets out the relevant legal requirements under the NERL for the Commission to make a final rule determination, and outlines the civil penalty recommendations we plan to make to energy ministers.

### B.1 Final rule determination and final rule

In accordance with section 259 of the NERL, the Commission has made this final rule determination to make a more preferable final rule under NERL sections 260 and 261, in relation to the following rules proposed by the Hon. Chris Bowen MP, Minister for Climate Change and Energy, as Chair of the Energy and Climate Change Ministerial Council:

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

The Commission has consolidated these four rule change requests under NERL s 248.

The Commission's reasons for making this final rule determination are set out in chapter 2.

A copy of the more preferable final rule is attached to and published with this final determination. Its key features are described in chapters 3-6.

### B.2 Power to make the final rule

The Commission is satisfied that the more preferable final rule falls within the subject matter about which the Commission may make rules.

The more preferable final rule falls within:

- section 237(1)(a)(i) of the NERL as it relates to the provision of energy services to customers, specifically customer retail services
- section 237(1)(a)(ii) of the NERL as it relates to the activities of persons involved in the sale and supply of energy to customers.

### B.3 Commission's considerations

In assessing the rule change requests the Commission considered:

- its powers under s244 of the NERL to make the final more preferable rule
- the rule change requests
- submissions received during the first round of consultation
- bilateral discussions with stakeholders
- stakeholder input received at a feedback session with consumer groups on the consultation paper, held on 16 December 2024
- the Commission's analysis of how the final more preferable rule would or is likely to contribute to the achievement of the NERO
- submissions received during second round consultation
- the extent to which the final rule is compatible with the development and application of consumer protections for small customers.

There is no relevant Ministerial Council on Energy (MCE) statement of policy principles for this rule change request.<sup>242</sup>

## B.4 Civil penalty provisions and conduct provisions

The Commission cannot create new civil penalty provisions or conduct provisions. However, it may recommend to the energy ministers that new or existing provisions of the NERL be classified as civil penalty provisions or conduct provisions.

The NERL sets out a three-tier penalty structure for civil penalty provisions in the NERL and the NERR.<sup>243</sup> A Decision Matrix and Concepts Table,<sup>244</sup> approved by Energy Ministers, provides a decision-making framework that the Commission applies, in consultation with the AER, when assessing whether to recommend that provisions of the NERR should be classified as civil penalty provisions, and if so, under which tier.

The Commission plans to make the following civil penalty recommendations to the energy ministers in relation to the final rule. The Commission has consulted with the AER on these civil penalty recommendations, and the AER supports these decisions.

**Table B.1: Civil penalty provision recommendations**

Rule	Description of rule	Recommendation	Reason
32(1A)	This final rule requires retailers to provide small customers at least one method to pay their energy bills, which is commonly used and accessible, at no charge.	Tier 2	Failure to comply with this rule may cause consumer harm.  This tiering is consistent with the tiering of other provisions relating to billing and payment in NERR Part 2, Division 4 (including rule 32(1)).
46AA(1)	This final rule requires retailers to not increase a tariff or charge payable by a customer, or decrease an energy payment payable to a customer, under a market retail contract unless such increase takes effect on a date within the month of July.	Tier 2	Failure to comply with restricting price increases or energy payment decreases to July may cause consumer harm by undermining consumers' price certainty expectations.  This tiering is also consistent with similar rules within NERR Part 2, Division 7.
46AA(2)	This final rule requires retailers to not increase a tariff or charge payable by a customer or decrease an energy payment	Tier 2	Failure to comply with restricting price increases or energy payment decreases to

<sup>242</sup> Under s. 225 of the NERL the AEMC must have regard to any relevant MCE statement of policy principles in making a rule. The MCE is referenced in the AEMC's governing legislation and is a legally enduring body comprising the Federal, State and Territory Ministers responsible for energy.

<sup>243</sup> Further information is available at <https://www.aemc.gov.au/regulation/energy-rules/civil-penalty-tools>

<sup>244</sup> The Decision Matrix and Concepts Table is available at: [https://web.archive.org/awa/20210603104757mp\\_/https://energyministers.gov.au/sites/prod.energycouncil/files/publications/documents/Final%20-%20Civil%20Penalties%20Decision%20Matrix%20and%20Concepts%20Table\\_Jan%202021.pdf](https://web.archive.org/awa/20210603104757mp_/https://energyministers.gov.au/sites/prod.energycouncil/files/publications/documents/Final%20-%20Civil%20Penalties%20Decision%20Matrix%20and%20Concepts%20Table_Jan%202021.pdf)

Rule	Description of rule	Recommendation	Reason
	payable to a customer, under a fixed price period contract more frequently than once every 12 months, where the first 12 month period commences on the date that the fixed price period contract commences.		once in a 12 month period may cause consumer harm by undermining consumers' price certainty expectations.  This tiering is also consistent with similar rules within NERR Part 2, Division 7.
48C	For market retail contracts with a benefit change, this final rule requires retailers not to charge customers more than their standing offer prices after the benefit changes or expires.	Tier 2	Failure to comply with this rule may lead to consumer harm.  This tiering is consistent with similar rules within NERR Part 2, Division 7.
52A(1)	This rule prohibits retailers charging 3 groups of vulnerable customers any fees, other than fees that are network charges.  The 3 groups of customers to whom this rule applies are: hardship customers; residential customers who are not hardship customers but who are experiencing payment difficulties; and affected customers.	Tier 1	Failure to comply with this rule could affect consumers experiencing vulnerability and should carry a penalty of equal weight to those attached to other protections for consumers experiencing vulnerability. For example, existing rule 73, waiver of late payment fee for hardship customers, deals with similar subject matter and is a Tier 1 civil penalty provision.
52A(2)	This rule prohibits retailers from charging small customers certain types of fees, other than fees that are network charges.  The types of fees to which this rule applies are: fees for meter reads for the purposes of commencing or terminating a customer retail contract or a deemed retail arrangement; fees for de-energisation or re-energisation of the customer's premises; fees for establishing an account with the retailer; fees that exceed a reasonable estimate of the costs incurred, or likely to be incurred, by the retailer as a result of providing the customer the service to which the fee relates.	Tier 2	Failure to comply with any of the provisions within rule 52A(2) may cause consumer harm by imposing unnecessary costs on consumers and imposing fees that some consumers cannot respond to.  This tiering is consistent with similar rules within NERR Part 2, Division 7. For example, existing rule 52B(1), on conditional fees, deals with similar subject matter and is a Tier 2 civil penalty provision.
52B	This is an existing rule requiring conditional fees to be no higher than a	Remove from	The final rule deletes this rule 52B, as the final rule

Rule	Description of rule	Recommendation	Reason
	reasonable estimate of the retailer's costs.	civil penalty list	introduces broader protections in new rule 52A(2) (above).
73	This is an existing rule requiring retailers to waive late payment fees for hardship customers.	Remove from civil penalty list	The final rule deletes this rule 73, as the final rule introduces broader protections in new rule 52A(1) (above).

The final rule amends subrules 46(4) and 46(4A) which are currently classified as civil penalty provisions. The Commission does not propose to recommend to the energy ministers any changes to the classification of these provisions.



## Abbreviations and defined terms

ACCC	Australian Competition and Consumer Commission
AEC	Australian Energy Council
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
BECE	Better Energy Customer Experiences review
Commission	See AEMC
DMO	Default Market Offer
DNSP	Distribution Network Service Provider
DSO	Distribution System Operator
ECA	Energy Consumers Australia
ECMC	Energy and Climate Change Ministerial Council
EIC	Explicit Informed Consent
EME	Energy Made Easy
ESB	Energy Security Board (now Energy Advisory Panel)
ESC Vic	Essential Services Commission of Victoria
EWON	Energy and Water Ombudsman New South Wales
EWOQ	Energy and Water Ombudsman Queensland
EWOSA	Energy and Water Ombudsman South Australia
JEC	Justice and Equity Centre
MC	Metering Coordinator
NECF	National Energy Customer Framework
NEL	National Electricity Law
NEM	National Electricity Market
NEO	National Electricity Objective
NER	National Electricity Rules
NERL	National Energy Retail Law
NERO	National Energy Retail Objective
NERR	National Energy Retail Rules
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules
Proponent	The individual / organisation who submitted the rule change request to the Commission
RBA	Reserve Bank of Australia
ROLR	Retailer of Last Resort
SACOSS	South Australian Council of Social Service
VDO	Victorian Default Offer

## C Differences between the draft and final rule

Below is a summary of changes from draft rule to final rule.

### **The final rule does not change the existing notice requirements for price increases, but eases notification requirements for price decreases, and extends to energy payments**

The draft rule sought to require retailers to provide customers 20 business days' notice before an increase in a customer's tariffs and charges. The final rule maintains this 20 business days' notice requirement for fixed price period contracts (which now includes contracts with a period of fixed energy payments) but reverts back to the existing 5 business day notice requirement for all contracts that are not fixed price period contracts.

The final rule introduces an additional exception to this notice requirement, where the variation is a reduction in the tariffs payable by the customer or an increase in the energy payment payable to the customer.

Further, while the draft rule proposed to amend the exception to the requirement on a retailer to provide notice of a variation where the customer had entered into a contract 20 business days before the variation took effect (as opposed to 10 business days in the existing rule), the final rule reverts back to the 10 business days. In the model terms for standard retail contracts, the draft rule sought to increase the timing of notice on a retailer's website for a variation in prices to 20 business days before the variation starts, but the final rule reverts back to the existing position of 10 business days.

### **The final rule restricts decreases in feed in tariffs to once per year**

The draft rule sought to restrict retailers from increasing prices in market retail contracts more than once in 12 months. The final rule extends this restriction to prevent retailers from decreasing energy payments (i.e. solar feed-in tariffs) within the same period.

A number of amendments were also made to require retailers to inform customers of energy payments payable to the customer under a retail contract and any variations to them.

### **The final rule clarifies which categories of customers are exempt from fees**

The draft rule sought to prohibit fees and charges for vulnerable consumers and limit fees and charges to reasonable estimates of retailer costs for all other consumers, in each case excluding energy rates (which include network charges). The final rule makes it clear that fees that are network charges are permitted to be passed through to all customers.

The final rule reduces the categories of vulnerable customer to whom the restriction on charging fees applies to hardship customers, those experiencing payment difficulties and customers affected by family violence, where the draft rule also included customers receiving a rebate, concession or relief under any government funded energy charge rebate, concession or relief scheme.<sup>245</sup>

The final rule also introduces a new prohibition on retailers charging any customers fees for de-energisation and re-energisation (other than fees that are network charges). These fee provisions have also been redrafted for clarity.

### **The final rule protects carry-over customers from de-energisation**

<sup>245</sup> The draft rule also referred to customers on payment plans, but in the final rule this was removed as under the NERL, customers who are eligible for payment plans are hardship customers and those experiencing payment difficulties, who are already covered.

The draft rule sought to protect customers on deemed customer retail arrangements (being move-in customers and carry-over customers) from disconnection if they don't engage with their retailer but are paying their bills. The final rule provides this protection to carry-over customers only. Retailers will continue to be able to de-energise a move-in customer's premises if the customer refuses or fails to comply with the requirements under the Law to notify the retailer of their identity.

#### **The final rule eases notification requirements around changes to conditional discounts**

The final rule does not require retailers to comply with the *Benefit change notice guidelines* to notify their customers about changes to conditional discounts, as was proposed under the draft rule.

The final rule gives retailers flexibility in the approach they can take to notifying customers, however, under the final rule, retailers will have to notify affected customers:

- In writing (including a description of the change),
- In a reasonable timeframe (no earlier than 40 business days and no later than 20 business days before the effective date).

#### **The final transitional rule includes different deadlines for AER review of guidelines**

The draft rule would have required the AER to review, and if necessary update and publish, all guidelines affected by the draft rule by 1 July 2026. In the final rule, the AER is given until 31 December 2026 to update the AER *Retail pricing information guidelines*, and until 30 September 2026 to update the *Customer hardship policy guideline*.