

Improving consumer confidence in retail energy plans

We have 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). These requests seek to amend the National Energy Retail Rules to improve energy market contracts.

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

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

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

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

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

The 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.

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

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

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

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 on 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.

It would 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.

The final rule will improve certainty around bills by restricting fees and charges

The final rule will provide consumers experiencing vulnerability with more certainty about their bills and increase transparency of fees and charges for all consumers. The final rule will prohibit retailers from charging retail fees (except for network charges) to hardship customers, 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.

The final rule will restrict all fees to reflect reasonable estimates of the costs incurred by the retailer, for all customers. It will also prohibit account establishment fees and metering fees that are not network charges, for all customers.

We have applied four assessment criteria to the rule change request

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

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

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

¹ Section 13 of the NERL.

provide 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 rule will take effect from 1 July 2026. 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 determination and rule covers four rule change requests that have been consolidated

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

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

A final determination on *Assisting hardship customers* was also released today. See the final determination [here](#).

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