



Key messages - Introduction of the reference price and cap on standing offers

The case for change

- Almost 800,000 electricity customers in New South Wales, South Australia and South East Queensland are on standing offer contracts. These are electricity plans that some customers are placed on when they have not gone out and chosen an electricity plan that is available in the market.
- In these states and regions, retailers have the ability to set the price of standing offers where they want. Standing offer prices are some of the most expensive in the market.
- From 1 July 2019, the Australian Government will be introducing a cap on the price that electricity retailers can charge most standing offer customers in New South Wales, South Australia and South East Queensland.
- Electricity prices in the other states and territories are already regulated—and Victoria is introducing its own price-capped default market offer from 1 July.
- The Australian Government has also introduced new rules on how electricity plans are marketed to consumers.
- By requiring retailers to use the newly established reference price, consumers in these states will now be able to compare the competitiveness of different electricity plans when shopping around for new offers.

What's happening from 1 July 2019?

- Energy retailers will now be required to advertise electricity plans against a new benchmark called the reference price.
- The reference price is a common benchmark set by the Australian Energy Regulator that applies to each region reflecting average household consumption allowing customers to better understand and compare different offers in the market and their relative value. This will make it much easier to find a better deal.
- Retailers previously calculated their discounts off different base rates, but now they must use the reference price when advertising the value of a plan. For example, if a retailer offers a plan with a 25% discount, this refers to a discount of 25% off the reference price.
- The reference price is also used as a price cap and is the maximum amount retailers can charge consumers on standing offers.
- The changes lock in a better deal for over 100,000 small businesses and almost 700,000 residential customers in New South Wales, South Australia and South East Queensland. These are electricity markets that were previously unregulated.
- People in other parts of Australia have different types of price regulation, and the Victorian Government is introducing price regulation from 1 July.

Key messages to consumers

Message summary

- To help consumers get a fairer electricity deal, new rules have been introduced capping how much energy retailers can charge customers who have not actively engaged in the electricity market and are on standing offer contracts.
- A new benchmark, known as the reference price, has been calculated for your area. So when you are offered a discount, you know the amount is being taken off a comparable rate offered by all retailers.
- This new reference price is not the 'best offer' in the market. Most offers sit below the reference price and this benchmark will make it easier to compare offers. So you should shop around to find the best deal against the reference price.
- Depending on where you live, an average household on a standing offer could save between \$129 and \$181 per year, and a small business could save up to \$896 per year.

Detailed messages

- To help people who can't shop around, a new price cap has been introduced. You may be too busy or find it too complicated—but you now know the new cap acts as a price safety net and protects you.
- For almost 700,000 customers and over 100,000 small businesses on standing offers in New South Wales, South Australia and South East Queensland, the introduction of a price cap will mean a drop in their annual electricity bill.
- If you are on a standing offer that is more expensive than the reference price you don't need to do anything to access the benefits of the change. The lower prices will be automatically applied.
- But the reference price is not the best offer you can get, so you should still shop around if possible to try to find a better deal. Most available offers sit below the reference price.
- The best place to look for a new energy plan is energymadeeasy.gov.au because it's free, government run, and it searches all generally available offers in your area. This means you're not required to provide your personal details to find the best plan.
- You can also call your retailer and ask for the best plan for your household or small business. What is best for you may differ depending on your household or business size, the types of appliances you use, what time of day you use them and where you are living.
- The reference price will act as a new benchmark price across all retailers in your area, so that discounts offered by different retailers can now be compared. This way you'll know the plan with the highest discount is the cheapest, as all offers are now required to be advertised against the benchmark price.
- This will make the way electricity prices are set and marketed much more transparent and fairer for consumers.
- For customers worried that because discounts are now lower it means the price they pay for electricity is higher, this is unlikely to be the case. Some big headline discounts looked like a good deal because they were discounting off high standing-offer prices. Because discounts are now calculated against the new reference price, the discounts may appear lower while the price remains the same.





Background

- Energy consumers have commonly found it increasingly confusing and difficult to navigate the electricity market to find the best plan.
- Following the Australian Competition and Consumer Commission (ACCC) review of retail electricity pricing in 2018, the Australian Government has acted to try to make the electricity market more transparent. The Government is introducing a price cap for plans that disengaged customers often find themselves on, and establishing the reference price—a new benchmark tool that consumers can use to compare the competitiveness of deals.
- The Australian Energy Regulator (AER), as the independent umpire for the electricity market, sets the reference price for each of the network distribution zones where there is no retail regulation. The reference price becomes the new price cap from which all other discounts in the market must be taken off.
- While the number of consumers on standing offers or standard contracts has continued to decrease over time, a substantial number of consumers continue to pay high annual prices because they cannot, or choose not to, engage with the competitive electricity market.
- Retailers already offering customers a standing offer below the new price cap will not be required to reduce their prices.

© Commonwealth of Australia, 2019.



This fact sheet is licensed by Commonwealth of Australia under a Creative Commons Attribution 4.0 International licence.

The views and opinions expressed in this publication are those of the authors and do not necessarily reflect those of the Australian Government or the Portfolio Ministers for the Department of the Environment and Energy.

Photos:

Front 8 Jordan Pl © Department of the Environment and Energy

Back Outer Belconnen © Department of the Environment and Energy