

# Ensuring contracts are clear and fair

Stakeholder workshop

14 January 2019



# Introduction

- Recap of recommendations 3A and 4A-4E
- Journey through recommendation 4
- Plan for today

# Today's workshop

9.30	Introduction
9.40	Fixing market contract prices [4A and 4B]
10.20	Changing the back-billing rules
10.50	End of benefit and contract periods [4C and 4D]
11.00	Regulating conditional discounts [4E]
11.10	Ensuring customers can easily compare offers [3A]
11.20	Including information about the VDO on bills
11.30	Next steps and morning tea

# Fixing market contract prices

## Draft decision proposals

- Retailers can only increase the price of existing market contracts when the VDO changes.
- Retailers who wish to offer products that are not compatible with limiting price changes to once a year must comply with certain conditions.
- Under the clear advice entitlement, when a customer signs up to a contract, the retailer must disclose when prices will change and, if known, the magnitude of any anticipated changes.

## Points raised so far

- Impact of proposal on market and competition
- Ability of retailers to offer 12 month fixed-price products
- Implementation challenges around 1 January date
- More detail around exemptions process
- Defining what a 'price change' is
- Big stick requirements

# Workshop exercise (recommendation 4A)

- The aim of this exercise is to explore the implications of potential variations to our draft decision proposal.
- Each table will discuss implementation considerations relating to one potential variation.

## Potential variations

1. Moving from a single price change date to a window
2. Allowing retailers to also offer 12 month fixed price contracts starting from the date a customer signs up

## Questions to discuss

- From a retailer perspective, what are the operational considerations of each proposal?
- From a customer perspective, what are the pros and cons of each proposal?
- Are there other considerations the commission should think about relating to these proposals?

# Changing the back-billing rules

## Draft decision proposals

- Retailers may only recover any amount undercharged in the four months before they notify the customer, unless the undercharging was a result of the customer's fault or unlawful act or omission.

## Points raised so far

- Aligning incentives for distribution companies
- Defining 'customer fault'
- Questions around implementation e.g. back-billing occurring before 1 July and discovered after

# Workshop exercise (back-billing)

- The proposed rule change would limit retailers to recovering undercharged amounts in the 4 months before the undercharging was notified to the customer, unless the undercharging was the result of the small customer's fault or unlawful act or omission.
- The aim of this exercise is to flesh out examples of when back-billing might occur, and discuss whether it may be considered the fault of the customer, retailer or a third party.

## **Proposed Energy Retail Code drafting**

Where a retailer proposes to recover an amount undercharged the retailer must:

- a) unless the amount was undercharged as a result of the small customer's fault or unlawful act or omission, limit the amount to be recovered to the amount undercharged in the 4 months before the date the customer is notified of the undercharging; and
- b) [...]

# End of benefit and contract periods

## Draft decision proposals

- Customers must receive any ongoing discounts, credits or rebates for the entire duration of a contract. Retailers must not decrease these benefits during the contract term.
- At the end of a fixed-term contract, if a customer does not give explicit informed consent to move onto a different offer, the retailer must roll them onto either the VDO (electricity) or that retailer's best offer (gas).

## Points raised so far

### *Aligning benefit and contract periods*

- Some concerns around retrospective application of 4D
- Need to clarify some definitions (rebate, credit)
- Mixed views on requiring EIC to terminate a contract early

### *End of fixed-term contract practices*

- Broad (though not universal) support for electricity customers rolling onto VDO in absence of EIC
- Mixed views on gas customers rolling onto the best offer
- Questions about legislative amendments for gas



# Regulating conditional discounts

## Draft decision proposals

- We will cap pay-on-time discounts, using a methodology based on the cost of debt for a retailer.
- Retailers must honour pay-on-time discounts for customers in payment difficulty receiving tailored assistance.

## Points raised so far

- Number of retailers no longer offer pay-on-time discounts
- Some differences between energy and water – though no specific examples of additional variables and how we might quantify these
- Round cap to whole number
- Longer window needed between updating the cap and it taking effect
- Lack of alignment with AEMC proposed rule change
- Broad support for honouring pay-on-time discounts for tailored assistance customers

# Ensuring customers can easily compare offers

## Draft decision proposals

- We will introduce a new objective in the marketing division of the code, requiring retailers to market gas and electricity offers clearly.
- Conditional discounts must not be the most prominent feature in gas or electricity advertisements, marketing or promotions.
- Retailers must advertise all electricity offers in relation to the VDO.
- We will not introduce a gas reference price at this time.

## Points raised so far

- General support for aligning with national rules
- Clarify when reference price requirements apply (mass marketing) and how (e.g. for demand charges, controlled load offers)
- Question rationale for mirroring ACL provisions in code

# Including information about the VDO on bills

## Draft decision proposals

- Retailers must include information about how a customer can access the VDO on electricity bills.

## Points raised so far

- Some alternative suggestions for wording
- Keeping wording in current form will require some retailers to redesign bill – implications for 1 July 2020 start

# Next steps

21 January 2020	Submissions to draft decision close
End February/early March 2020	Final decision released
1 July 2020	Energy Retail Code amendments take effect

Get in touch if you have questions or would like to discuss further:

[retailenergyreview@esc.vic.gov.au](mailto:retailenergyreview@esc.vic.gov.au)