



queensland council of social service inc
WORKING FOR A FAIR QUEENSLAND

17 July 2009

Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

electricity@qca.org.au

Dear Sir / Madam

RE: Interim Consultation Notice: Proposed amendments to the Electricity Industry Code requiring prior notice for price changes

Thank you for the opportunity to respond to the above mentioned Queensland Competition Authority review.

The Queensland Council of Social Services (QCOSS) is the peak body for over 600 welfare and community sector organisations in Queensland. For 50 years QCOSS has worked to promote social justice and exists to provide a voice for and with Queenslanders affected by poverty and inequality. We act as a Statewide Council that leads on issues of significance to the social, community, and health sectors. We work for a Fair Queensland and develop and advocate socially, economically and environmentally responsible public policy and action by community, government and business.

QCOSS agrees that the Electricity Industry Code should be amended to require electricity retailers to give small customers written notice of price changes before those price changes come into effect.

Consumers need to have sufficient information to be able to manage their electricity costs, and the opportunity and freedom to pursue more competitive retail offers. This is particularly important in the current context, where electricity price increases far outstrip consumer price index increases and hardship is increasing as a result of the economic climate. Being able to know the rate at which electricity consumption will be charged at the time it is used is an essential pre-condition to both managing costs and ensuring that consumers can find the most suitable retail contract for their needs. The current situation, permitting retrospective price changes to be applied to customers on negotiated retail contracts, denies consumers these crucial opportunities. Increasing prices retrospectively also entails a breach of trust by the retailer which undermines consumer confidence in electricity retail competition, as the actions of Queensland Electricity earlier this year have demonstrated.

Ensuring that customers are given adequate notice of price changes and have the opportunity to change retailers will therefore not only reduce the risk faced by consumers on negotiated retail contracts, but will also hold flow-on benefits for effective retail competition.

To this end, QCOSS believes that the Electricity Industry Code should be amended to make prior written notice of price changes part of the minimum terms and conditions of retail contracts. Customers should be given sufficient notice to allow them to access information about and compare other retail contracts, as well as to consider possible changes to their energy usage or budget to allow them to manage increased energy costs. We note that the draft National Energy Customer Framework legislation will require retailers to publish changes to standing offer prices at least 10 business days prior to those variations taking effect. Consumer groups argue that 10 business days is not sufficient,

and that at least 20 business days notice of variations to standing offer prices should be required, in line with current best practice. Customers with negotiated retail contracts should be entitled to a similar notification period. Accordingly, QCOSS recommends that the minimum terms and conditions for retail contracts require retailers to give customers written notice of price changes at least 20 business days prior to those changes taking effect.

QCOSS further recommends that notification of price changes should be provided in a format that is readily comprehensible to customers. The Electricity Industry Code should require notification of price changes to be written in plain language, and include:

- the current tariff rate per kilowatt hour;
- the expected rate after the increase;
- the percentage by which the tariff will increase;
- the date the increase will take effect;
- a pricing table such as that published by Queensland Mines and Energy in response to the recent increase in notified prices, showing the expected increase in an average bill from given starting amounts;
- how customers can obtain information on reducing their energy usage; and
- whether any penalty will apply for early termination of a contract, and if so, the amount of the penalty (but see recommendations on early termination fees below).

The ability of retailers to increase prices during the period of a fixed term contract under which early termination fees applies is also of concern to QCOSS. If a customer agrees to a market contract with a retailer offering a tariff lower than the notified prices, and the retailer subsequently increases its prices above the regulated price, the application of early termination fees could leave the customer trapped on a high tariff rate and with fewer consumer protections for the remaining contract term. Given that the terms and conditions the Electricity Industry Code permits retailers to vary under a negotiated retail contract include provisions relating to minimum instalment payment options, acceptance of payments in advance, and minimum time for payment of a bill, it is possible that such an action on the part of the retailer, in combination with variations to these terms and conditions that disadvantage the customer, could cause significant hardship to customers. The potential for this to occur means that for many consumers transferring to a negotiated retail contract carries an unacceptable risk.

QCOSS's preferred option is that the Electricity Industry Code is amended to prohibit early termination fees beyond reasonable administrative costs associated with ending the contract. This reflects the provisions relating to early termination fees in the first exposure draft of the National Energy Customer Framework, which have been supported by QCOSS and other consumer groups. At a minimum, however, we recommend that the minimum terms and conditions for negotiated retail contracts should require that early termination fees are waived in full when the retailer has increased prices during a fixed term contract.

We look forward to continuing to represent the interests of Queensland consumers in all energy related matters. If you would like any further information or to clarify any aspect of this submission, please feel free to contact me on 3004 6900.

Yours sincerely

Jill Lang
Director