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Queensland Competition Authority
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By email (electricity@qca.org.au)

TRUenergy Response to Proposed amendments to the Electricity Industry Code requiring prior notice for price changes

TRUenergy welcomes the opportunity to provide comments to the Queensland Competition Authority's (QCA's) Interim Consultation Notice on the proposed amendments to the Electricity Industry Code requiring prior notice for price changes.

We would like to offer the following comments on the questions raised by the QCA in the Interim Consultation Notice. Our comments are based solely on price variation notification obligations for small customers on market based contracts. Customers on a standing contract and prices are already protected from retrospective retail price variation notification as a consequence of the need for variations to standing prices to be printed in the Queensland Government Gazette prior to the prices taking effect.

1. Should a requirement be introduced into the Electricity Industry Code for electricity retailers in Queensland to give small customers written notice of any price changes prior to those changes coming into effect?

It has been a standing market practice in the energy sector across the various state based jurisdiction that retailer can notify customers on market offers of changes in their retail prices in the next bill following the variation in prices. It is acknowledged since the commencement of Full Retail Contestability across the jurisdictions that retrospective price variation notification is a cost effective approach to price variation notification. In particular, retrospective price variation notification for market contract customers has proved successful in balancing the regulatory and system costs against the need to provide market contract customers with appropriately timed price variation information given that customers do not all receive their bills on the same day.

The Interim Consultation Notice identifies that NSW is the only jurisdiction that prohibits market contract prices from varying. Notwithstanding clauses 22 and 23 of the *Electricity Supply (General) Regulations 2001 (NSW)*, the IPART historically has not strictly enforced the clause. Rather, earlier this year IPART issued a notice to retailers offering a pragmatic solution to allow for price variation notification to occur retrospectively on market customers' bills. In particular, IPART informed retailers:

"IPART has recently reviewed the price notification requirements set out in clause 22 of the Electricity Supply (General) Regulation 2001 and the Gas Supply (Natural Gas Retail Competition) Regulation 2001. In an attempt to address issues of inconsistencies with other jurisdictions and reduce regulatory costs that are ultimately borne by consumers, IPART has decided to adopt the following compliance policy in respect to this clause.

*IPART will not strictly enforce the requirements of Clause 22, provided that, **as a minimum**, retailers:*

- 1. notify customers of the date of an impending price rise in a bill message prior to the rise, and where possible up to 3 months prior to the price rise, stating when (date) and where (e.g. website and press notification) further details on the rates or variations in rates will be available,*
- 2. within 10 business days after the date of the price rise, publish the new rates **or** the amount of the **average** variation in rates for **each customer class** supplied in:*
 - a newspaper or newspapers circulating throughout NSW or in a daily newspaper circulating in the area in which the variation is to take effect; and*
 - on the retailer's website*
- 3. provide full details of the price increase impacting a customer in the customer's next bill after the variation.*

IPART will not take enforcement action for non-compliance with clause 22 notification provisions if the minimum approach for price notification outlined above is followed. However, while no enforcement action will be taken by IPART, retailers adopting this alternative approach should still report this matter as a breach in their Annual Compliance Report which is submitted at the end of August each year. In this report, retailers should confirm that the minimum notifications requirements stated above have been followed in lieu of full compliance with clause 22 requirements." (Issued via e-mail to Energy Regulatory Managers on 19 March 2009)

Hence, TRUenergy does not support the introduction, into the Electricity Industry Code for electricity retailers in Queensland, of a written requirement for retailers to give small customers notice of any price changes prior to those changes coming into effect.

2. If such a requirement should be introduced, what changes should be made to the Electricity Industry Code (for example, should this requirement be added to the list of minimum terms and conditions for retail contracts in Chapter 4 of the Code or would alternate approaches be preferable)?

TRUenergy believes that appropriate awareness of the price variation notification term of a contract is critical to ensure customers entering market contracts make

an informed choice. To this end, clause 7.6 (e) of the Queensland Electricity Industry Code requires that a retailer must disclose in the Written Disclosure Statement the manner in which prices, charges, tariffs and service levels are able to be changed by a retailer. As a Written Disclosure Statement is required to be provided to Queensland customers wishing to enter into a market contract, TRUenergy believes that customers are appropriately protected from price variation notification terms and conditions prior to entering into a market contract.

In conclusion, we do not believe there is a requirement to change the Electricity Industry Code. The obligation to comply with the Written Disclosure Statement requirements of price variation notification together with an effective competitive retail market is sufficient to provide small retail consumers on market contracts with an appropriate level of regulatory protection.

Please contact me on telephone number (03) 8628 1185 or e-mail con.hristodoulidis@truenergy.com.au to discuss any aspects of the submission.

Yours Sincerely

(signed for e-mail)

Con Hristodoulidis
Regulatory Manager