



A PRICE SAFETY NET

OVERVIEW

- The Australian Government is acting swiftly to introduce a default market offer for households and small businesses, consistent with the recommendations of the Australian Competition and Consumer Commission (ACCC) Retail Electricity Pricing Inquiry report.
- On 22 October 2018, the Treasurer and the Minister for Energy wrote to the Australian Energy Regulator (AER) to ask them to determine a maximum default offer price and reference bill to apply in each network distribution region.
- The Australian Energy Market Commission (AEMC) has found that standing offers can be up to \$832 per year more expensive for households than the cheapest market offer.

The maximum differentiation between the minimum market offer and median standing offer across each state/territory in the National Electricity Market

| State/territory | Households | Small businesses** |
|-----------------------|------------|--------------------|
| South Australia | \$832 | \$3457 |
| Victoria | \$652 | \$2941 |
| New South Wales | \$411 | \$2582 |
| South East Queensland | \$369 | \$2152 |
| Tasmania | * | \$1567 |
| ACT | \$273 | \$969 |

Source: AEMC Competition Review 2018 analysis of standing and market offers

* Tasmanian residences have a regulated standing offer.

**This is for a selected distribution zone within each jurisdiction.

DEFAULT OFFER

- The proposed default offer will stop excessively priced standing offers for those customers who are not subject to state-based price regulation.
- This will act as a safety net, protecting customers from being exploited while still allowing retailers to offer more competitively-priced market offers.

REFERENCE BILL

- The Government is also acting on the ACCC recommendation to introduce a reference bill for each region, to be set by the AER.
- Electricity retailers will be required to calculate and advertise their discounts using this common reference point, helping customers to clearly compare offers to find the best deal.

IMPLEMENTATION

- The Government has asked the AER to publicly release its final determination for default offer prices and the reference bill by 30 April 2019 to enact price reductions for residential and small business consumers on 1 July 2019.
- Implementing these reforms will require legislation. The Government will seek the cooperation of state and territory governments to implement the required changes.
- The Government will meet with major energy retailers to seek their agreement to independently lower standing offer prices by 1 January 2019, ahead of the AER's determination for 1 July 2019.