



## Frequently asked questions - introduction of the reference price and cap on standing offers

### When does the new reference price and cap on standing offers come into effect?

On 1 July 2019.

### Do I have to do anything on 1 July when this happens?

No, you don't have to do anything. If you are currently on a standing offer, your energy retailer will set your rates in line with the new price cap from that date. You might receive a letter or phone call from your energy retailer advising you of the change.

If you are on a market offer, the amount you currently pay shouldn't change as most plans are well under the new price cap. So you don't need to do anything if you don't want to.

### What if I don't want to change my electricity plan?

The only real change for someone on a standing offer will be that the rate in relevant areas will be set at, or below, the new price cap. For most standing offer customers this will mean a reduction in their electricity bills.

If you're on a market offer, you are likely to be someone who is already comfortable shopping around. You have the choice of staying with the plan you have, or shopping around for a new one.

### How does the new price cap work?

The new price cap is effectively a maximum price for standing offers, set by the Australian Energy Regulator, that can be charged for electricity services in your local distribution area. It will essentially become the price charged to customers on standing offers and will also become the reference price that all discounts must be calculated against. This means that if you are offered a 20 per cent discount from one provider and a 30 per cent discount from another provider, you know that those discounts are both compared to the same starting point (the reference price). It provides an 'apples-for-apples' comparison.

### Does it also cover my gas bills?

No, the reference price and price cap are only for your electricity bill.

### Does the price cap mean I will be on the cheapest electricity deal?

No. The price cap is not intended to be the lowest or cheapest electricity offer available, but it will be cheaper than most existing standing offers. You should still shop around if you want to find an even better offer. We recommend you use the Australian Government's website [energymadeeasy.gov.au](http://energymadeeasy.gov.au) to find the best deals in your area. This website will compare all offers available to you and does not pay any commission to the service providers.

## How do I know if I am on a standing offer or another type of offer?

If you haven't contacted your electricity retailer in the last few years to get a better deal, you will likely be on a 'standing offer'. Also, if you have been on a fixed-term contract that includes an introductory discount (like 20 per cent off your usage for 12 months), you may have gone back onto a standing offer when that ran out. If you're not sure, call your current energy retailer and ask what sort of electricity plan or offer you are on. Or, please check your bill for the tariff type that currently applies.

## How much will I save on my household electricity bill after 1 July 2019 if I currently have a standing offer?

Savings depend on how much electricity you use each month or quarter, but the average household on a flat rate tariff can expect to make the following estimated savings depending on where you live:

State	Expected savings
New South Wales	\$129–\$181 per year (or average of up to \$15 per month)
South East Queensland	\$118 per year (or \$9.83 per month)
South Australia	\$171 per year (or \$14.25 per month)

For households that are on a mix of flat rate and controlled load tariffs, the savings could be an additional 20 per cent.

REFERENCE: AER Final Determination Report, Table 20, p. 61.

## How much will my small business electricity bill be after this change?

Savings depend on how much electricity you use each month or quarter, but the average small business on a flat rate (using 20,000 kWh per year) can expect to make the following savings depending on where you live:

State	Expected savings
New South Wales	\$579–\$878 per year (or an average of up to \$73 per month)
South East Queensland	\$457 per year (or \$38 per month)
South Australia	\$896 per year (or \$75 per month)

REFERENCE: AER Final Determination Report, Table 4, p. 25.

## Why is a price cap on standing offers being introduced?

In October 2018 the Australian Government accepted the recommendation of the Australian Competition and Consumer Commission (ACCC) to introduce a price cap, as one way of helping to better protect consumers and reduce their electricity bills. This is because over the past few years some existing standing offers had become unjustifiably high. As a result, long-term or loyal customers were not capturing the same benefits as new or mobile customers.

The price cap also sets a baseline to better inform customers shopping around by ensuring discounts and plans are being measured from the same starting point.

## What's the purpose of the reference price?

The reference price is effectively a benchmark—or common point of comparison—that makes it easier for consumers to understand the value of the plans being offered. It means market offers and discounts are being measured against the same starting point for each distribution area. Plans that offer a specific discount, say 25 per cent, do so against the reference price. Or, when you see two plans—one offering a 20 per cent discount and another offering a 25 per cent discount, for example—you know they are working from the same starting point. It's an 'apples-for-apples' comparison.

## What's the difference between the reference price and the new price cap on standing offers?

The AER will determine a single price, which will be used for two different purposes. One purpose is the reference price, which uses this price as a baseline for comparing different plans, including discounts, and makes it easier for customers who like to shop around. The other purpose is to act as the price cap or maximum price that energy retailers can charge for their standing offers.

## Will I have to change plans to access the newly adjusted discounts?

Not necessarily. It is more likely you will be accessing the same rate and type of discount. It's just the calculation of the discount that changes.

## Will I still get my pay-on-time discount when the reference price is introduced?

Depending on what sort of plan you were on before 1 July, you will still get your discount. But discounts on new offers in the market will need to be calculated off the reference price, which will change the way in which new offers are advertised. Discounts will still be commonly available and customers will be able to search for the plan that works best for them, but all discounts will work off a common reference price for each distribution area.

## Which energy markets are affected?

A: All of New South Wales, South Australia and South East Queensland will be subject to a new price cap, set by the Australian Energy Regulator, because they are not currently subject to retail price regulation by state-based regulators. Victoria is commissioning and setting its own default market offer price cap for standing offers.

## Why aren't all energy markets covered?

Retail prices in all other markets (Tasmania, Western Australia, Northern Territory, Australian Capital Territory, and regional Queensland) are regulated by other authorities. Victoria's default market offer will mean prices in the Victorian electricity market will also be separately regulated from 1 July.

## Which customers are affected?

The only customers directly affected are those currently on standing offers. This means they haven't actively sought a better offer from their electricity retailer in the past few years or may have had a fixed-term market offer expire. Estimates of the numbers affected, and where they are located, are:

State	Households on standing offer	Small businesses on standing offers
New South Wales	423,859	70,625
Queensland	(13 per cent of customers)	(21 per cent of customers)
South East Queensland	194,735	26,793
South Australia	(14 per cent of customers)	(25 per cent of customers)
Victoria	67,576	13,607
	(9 per cent of customers)	(15 per cent of customers)

Importantly, the number of customers on standing offers has been falling over the past decade as people become more familiar with how a competitive energy market works, and now sits at approximately 14 per cent on average. It is expected that by 2021 there will be less than 10 per cent of residential customers on standing offers.

REFERENCE: AER Final Determination Report, pages 17–18.

## How much are standing offers at the moment?

Standing offers vary depending on where the customer lives and who their energy retailer is. Average annual bills from major retailers at the moment range from:

State	Residential flat rate	Residential flat rate with 30 per cent controlled load	Small business flat rate
New South Wales	\$1596–\$2138	\$2259–\$2606	\$6783–\$8754
South East Queensland	\$1668	\$2096	\$6481
South Australia	\$1941	\$2639	\$10016

REFERENCE: AER Final Determination, pages 61–62.

## How do standing offer rates compare to market offer rates?

Standing offers are generally set at higher levels than market offers after taking into account any discounts. Market offers usually include conditional discounts like a pay-on-time discount, or a discount for paying through direct debit. If you don't meet these conditions (for example, if you don't pay by the bill due date), you won't get the discount for that bill.

## Am I likely to be on a standing offer?

If you haven't signed up to a new electricity plan or renegotiated a new plan with your retailer, you are most likely on a standing offer, or paying standing offer rates because your advertised discounts may have expired.

## Are there any risks for the customer of changing from a standing offer to a market offer?

Each customer will need to make their own assessment and we recommend you use the independent government website [energymadeeasy.gov.au](http://energymadeeasy.gov.au) to find the best deals in your area. The main thing to know is that market offers are usually set at a lower rate than standing offers, but you need to ensure you can access the discounts attached, such as pay-on-time provisions or use of direct debit.

## How did the Australian Energy Regulator work out how to set the price cap for standing offers?

There are a complex set of requirements included in the calculations, but they include the underlying wholesale cost of energy, distribution and transmission costs, allowance for a reasonable profit, examining market and standing offers across each region—as well as the need to maintain competition in the market.

## Why is my market offer higher than a standing offer?

A: Some customers decided to take up premium market offers that may appear more expensive than standing offers. These are often packages that include ‘bells and whistles’ such as ‘live-time’ solar monitoring, connections to internet-connected appliances and other services linked to smart electricity metering. While these premium packages may appear more expensive than no frills electricity offers, some customers find these premium market offers are good value for their circumstances.

## I’m a solar, demand or time-of-use customer. How does this affect me?

It doesn't. The price cap only applies to residential and small business customers on flat rate pricing (often called a flat rate ‘tariff’). Standing offers for solar, demand or time-of-use customers are not capped at the new price cap rates. However, retailers will be required to compare both their flat rate and time of use offers to the reference price. This means that time-of-use customers are able to more easily compare time-of-use offers when they are shopping around for a better deal.

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