

New rules for retailers, but don't sit there waiting for your electricity bill to go down

Written by David Blowers, Energy Fellow, Grattan Institute

It sounds like good news. After summoning the heads of Australia's major electricity retailers to Canberra, Prime Minister Malcolm Turnbull yesterday announced that the government will take "[decisive action to reduce energy prices for Australian families and businesses](#)".

But look a little closer. Yes, the retailers have agreed to some small but important measures that will make it easier for customers to find the best electricity deal. But there is no guarantee energy prices will fall. And your electricity bill will only be lower if you, the customer, take action.

Retailers' current advantage

At the moment, retailers typically encourage consumers to sign up by offering a discount on the bill for a fixed period – normally one or two years. After this period expires, customers usually face higher prices for their electricity.

Read more: [Poor households are locked out of green energy, unless governments help](#)

Some lucky customers will be put on an equivalent tariff and their electricity costs will not change much. Others will lose the discount – which can be as much as 30% of the bill. And some unlucky customers will be placed on the retailer's "standing offer" – usually the most expensive plans in the market.

All the retailers have to do is to send you a letter informing you of the change. Lots of customers find those letters [too confusing or time-consuming to read](#), and throw them in the bin. Those who do read and understand it don't necessarily take action: almost half of Australian households [have not changed their electricity retailer in more than five years](#).

How the new deal could help you

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Under the deal that Turnbull has brokered with the retailers, every consumer on a lapsing deal will be sent more comprehensive and helpful information that will encourage them to switch. This will include details of cheaper available offers, and information from websites that compare prices across the various plans and retailers.

Second, as the Grattan Institute recommended in our March report, [Price Shock](#), retailers will now have to be more explicit about what happens if you don't sign up to a new offer. Specifically, that means detailing exactly how much it is going to cost you.

Third, retailers will have to report to the Australian Energy Regulator how many customers are on lapsed deals. This may seem like a lot of red tape for not a lot of impact. But a lack of information on how many customers are on what type of deal has been a major barrier to understanding what is happening in the electricity market. This increased transparency will encourage retailers to reduce the number of customers they have on lapsed contracts.

Read more: [A simple rule change can save billions for power networks and their customers](#)

The new deal includes other welcome measures, mainly designed to help poor households reduce their bills and make sure they do not face increased costs as a result of late payments. (To be fair to the retailers, they already do a lot for customers whom they consider to be “in hardship”.)

It's still down to you

The deal will doubtless improve the retail electricity market. Retailers will take on more responsibility for helping their customers onto a better deal. And those customers who are most at risk from very high prices will get more protection.

But these are only incremental steps and do not ensure that customers will pay less for their electricity. While more simple information will be available, it will still be up to the consumer to

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act on it. The bottom line remains the same: if you want to pay less for electricity, you need to search for and sign up to a cheaper deal.

Customers should be under no illusions. Energy prices are still going to be high for as far as the eye can see.

Gas prices remain [way above historic levels](#) . Wholesale electricity prices are [also high](#) . Network costs – the price we pay for the poles and wires – have grown enormously over the past 20 years, and ultimately those costs find their way onto our bills. And the much-needed policy stability on greenhouse emission reductions that can put downward pressure on electricity costs [remains elusive](#)

Under the new rules, consumers might be able to get a *cheaper* deal, but this doesn't mean they will get a *cheap* deal.

It may be months before we know whether the new measures are enough to encourage consumers to go out and find a cheaper plan or retailer. The danger is that, in a year's time, too many consumers will still be stuck on expensive electricity deals.

Even if huge numbers of consumers switch, [there are still fundamental issues in Australia's electricity market](#) . Prices won't come down across the board until these are resolved.

This is a welcome move by the government. But it only addresses a fraction of the problems in the electricity market. The big question for the prime minister is, what next?

David Blowers does not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and has disclosed no relevant affiliations beyond the academic appointment above.

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