

Choosing an energy supplier and contract

This Fact Sheet explains what you should think about before choosing an energy supplier and contract.

Read this Fact Sheet if you want to know about:

- choosing an energy supplier
- how to compare offers from energy suppliers
- changing suppliers



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Introduction

If you wish to use energy (electricity and/or gas) at an address for which you are responsible, you will need to have an account with an energy supplier. That means selecting a supplier and the type of contract you want.

Your chosen supplier will purchase electricity and/or gas in a wholesale market and resell it to you. You will then be billed by that supplier for the total cost of supplying the energy to you.

As South Australia's energy markets are de-regulated and open to competition, you are free to switch suppliers at any time, subject to any termination conditions in an existing contract. You should not be worried about the idea of changing suppliers; it is quick and easy to do and does not require any special knowledge.

However, whether selecting a supplier for the first time or considering changing suppliers it is important to understand each aspect of the offers made to you by different potential suppliers. For more information about what suppliers are allowed to do in marketing their offers to you, see *Fact Sheet: Energy marketing – rights and responsibilities*.

Energy suppliers offer different contracts, plans, customer service levels, pricing and payment plans.

Understanding your position

Most energy suppliers offer two contract options – **Standard Retail Contracts** and **Market Retail Contracts**. These contracts are sometime known as plans, and they are explained in detail below.

It is wise to have an idea of which type of contract or plan you prefer before looking at the specific offers made to you, although you may change your mind once you see the details of individual offers.

If you move into a new home or business and start using energy without first contacting a supplier to set up a new account for the premises, you will be considered to have an arrangement with the last supplier responsible for that property. This is referred to as a **Deemed Customer Retail Arrangement**. The rates for deemed arrangements are usually higher than rates under contracts.

However, as soon as the supplier is aware that you are using energy at the premises it must contact you with details of the prices and conditions that apply under the deemed arrangement and your options for establishing a retail contract with that supplier. Look for a letter addressed to "Dear Occupant" or "Dear Customer".

You do not have to remain with that supplier. You are free to sign up with or switch to another supplier at any time.

Contract options

Standard Retail Contracts

A Standard Retail Contract (SRC) is based on the model terms and conditions set out in the National Energy Retail Rules. It is the simplest type of retail energy contract, and each energy supplier must offer one, though most will not call it by that name.

All SRCs must meet minimum standards of protection and obligations to customers, but aspects of each plan differ between suppliers – and each supplier will determine its own pricing. There is a cap on how much energy retailers can charge customers on SRCs. This is called the default market offer (DMO) standing offer price cap.

An SRC is an ongoing contract with no fixed term and can be terminated at any time. If you currently purchase energy and have not actively negotiated a contract with an energy supplier since full de-regulation commenced in South Australia in February 2013, then you may be on a standard retail contract.

Market Retail Contracts

A Market Retail Contract (MRC) is an agreement between you and your energy supplier under which you agree to the price and the conditions set by the supplier. Suppliers can and do offer different plans with varying tariffs, fees, discounts, billing, payment arrangements and penalties for early termination/cancellation.

An MRC does not follow the model terms and conditions that apply to a standard retail contract, but it must comply with the consumer protection requirements in the National Energy Retail Rules

There are two types of MRCs – **fixed term** and **ongoing**.

Suppliers usually offer better rates on fixed-term contracts as they have secured you as a customer for a set period. However, you may be charged an exit fee if you terminate the contract early and, in some cases, the supplier may still be able to increase its rates during the term of the contract. Check the terms and conditions.

Ongoing MRCs do not have a fixed term and there is no exit fee.

Be aware that you will not necessarily be eligible for all MRCs offered by suppliers. Also, some MRC discounts only apply to usage charges and not supply charges, which in some cases may be a large part of your bill.

Suppliers are prevented from applying discounts to electricity and gas market contracts that are higher than their equivalent standing offer, which would leave you worse off.

If you accept a Market Retail Contract you can choose to switch to a Standard Retail Contract at any time if you have an ongoing MRC or at the end of your contract period for a fixed-term MRC.

Your supplier must notify you in writing 20 to 40 days before your contract expires and it is your responsibility to contact the supplier to let them know what you want to do. Be sure to read the notice carefully; it may say that if you don't contact them they will put you on a similar plan.

Your supplier must also notify you when any benefits on your contract, such as a discount, are about to end or change.

Suppliers are now required to give their customers advance notice of any price increase on their energy bills as well as information about how to shop around for a better deal.

Your rights and responsibilities

A contract is legally binding, so read it carefully and make sure you understand what you are signing up to. Don't allow yourself to be pressured into signing a contract you haven't read or don't understand. If you have felt pressured or misled by a marketer, contact the supplier they represent to make a complaint.

After you have signed a contract, your energy supplier must give you a single written **Disclosure Statement** that explains in plain English the key terms of that contract, including prices, service levels, bill frequency, duration of the contract, available payment methods, fees and charges, and early termination fees.

All contracts have a **10-day cooling off period**, which means you can change your mind and cancel the contract within 10 business days. If you wish to cancel, it is best practice to do so by post, fax or email and to keep a copy for your records. You don't need to give any reason for the cancellation.

Always keep a copy of any contract you sign. If there is a dispute in the future, you will need all the original paperwork or electronic copies.

Your energy supplier also must give you their **customer charter**, which should clearly outline the minimum terms and conditions it must offer to protect the rights of consumers.

Transferring suppliers

If you switch to a new supplier, your new contract will usually start after your next meter read, which may be up to three months away. You should receive a final bill from your old supplier and a welcome letter from your new supplier to let you know your new contract has started.

Before signing a new contract, check whether you will be liable for a termination fee for breaking an existing contract.

Things to consider when making your choices

Compare the options

It's important to read all offers carefully and make sure you're comparing like with like. If you are comparing prices, make sure you check what is included and excluded.

Check your recent bills to see how much energy you normally use and compare the energy charges and the supply charges on your current bill to what is offered by others. For example, the energy usage charges per kilowatt-hour may be lower but the daily supply charge may be higher.

Ask a potential supplier to clarify which is its Standard Retail Contract (it must offer one) and which are Market Retail Contracts.

If you don't understand something, ask for clarification from the energy supplier or get independent advice on what it means. See below for options on getting advice.

Pricing and discounts

When a retailer is advertising their discount, they are required to compare against a benchmark price known as the reference price.

Before you accept any contract check exactly what is being offered. For example, if you are offered a 5% discount, make sure you know whether this applies to your total bill or only to the supply or usage. Some suppliers may offer discounts that only apply if you pay your bill on time.

Some energy suppliers may offer additional incentives to switch, such as subscriptions to magazines or memberships of clubs or associations. You'll need to decide what value those benefits have for you.

Fees and charges

Be aware of the following:

- Some suppliers charge a fee if you pay by credit card or if you don't pay by direct debit.
- Some contracts may include account establishment fees, reconnection fees when you move in or disconnection fees when you move out.
- If the contract term is fixed, you may be charged an early termination fee if you break it.
- If you are moving to a new house, some suppliers may allow you to continue the same terms at your next property with no penalty but others may charge a fee for breaking the contract due to your move.

- Some suppliers may charge a fee if you want a paper bill rather than an email bill.

Special conditions

Solar electricity

If you install a solar system and start exporting power to the grid, you will need a special type of meter and may need a new contract. If you need a new contract you may find the rates are higher. You should ask your current supplier if you can get a better deal with them. Ask them whether you are eligible for any special offers or extras such as rebates or concessions.

Rebates

If you currently receive a pension concession from your energy supplier, you should make sure that your new energy supplier has the details. If you are transferring to a new supplier you may need to reapply for your concession through Concessions SA on 1800 307 758.

Getting advice

The Energy Made Easy website, offered by the Australian Energy Regulator, helps you compare a range of plans offered by energy suppliers in your area. You can quickly search, and compare a range of available options and plans, select the one that you like and often switch suppliers online. You can find this service at www.energymadeeasy.gov.au or by calling 1300 585 165.

There are also commercial businesses and websites that can help you compare offers and choose a supplier.

However, be aware that they may not have access to contract information for all the suppliers licensed in South Australia and may receive a commission from certain energy suppliers.

The Energy & Water Ombudsman SA is an independent body that investigates and resolves disputes between customers and their electricity, gas and water suppliers. We cannot provide advice as to which supplier or contract is best for you.

Common questions to ask

Pricing

- What are the rates or tariffs included in the contract being offered?
- What is included / excluded in the contract being offered eg. GST, rebates, discounts?

Discounts

- What rate will my discount be based on?
- How does it compare with my current rate?
- Are there conditions for the discount to apply?
- Will the discount be applied only if I pay on time?

Billing

- How and when will I receive my bill?
- If I accept a contract for electricity and gas, will I receive one bill or two bills?

Payment

- How can I pay (eg. Bpay, direct debit, Centrepay, post office)?
- Are there any charges or discounts for using different payment methods?

Terms and conditions

- How long is my contract term (when does it end)?
- Is the contract fixed or am I free to move without penalties?
- When will my contract start?
- When does my cooling off period start and end?
- What happens at the end of the contract term? Will I be notified or will the contract roll-over automatically if I do nothing?
- Do I need to give notice to terminate?

Fees and charges

- Are there any account set up or administration fees?
- Are there any late payment fees or other account charges (eg. disconnection fees)?
- Are there any fees for receiving a paper copy of the bill?
- Will I be charged a transfer or cancellation fee if I move house?
- Will I be charged a termination fee for ending my contract early?
- Is my tariff rate fixed or can it go up?