

Electricity Retail Contracts and Prices

Under the *Electricity Act 1994*, there are two basic types of electricity retail contracts that can apply in Queensland – **standard** (or non-market) contracts which apply by default in certain circumstances and **negotiated** (or market) contracts which are agreed by negotiation between a retailer and a customer.

These contracts outline the specific rights and obligations of electricity retailers and their customers. However, there are some differences in the contracts and pricing arrangements for **large** and **small** customers.

Large Customer Retail Contracts

Large customers are those that consume more than 100 megawatt hours (more than approximately \$15,000) of electricity per annum, which includes large commercial and industrial electricity users as well as many medium to large businesses¹.

Large electricity customers can enter either standard or negotiated retail contracts. There are some important differences between when these contracts apply (i.e. how they are entered into), the terms and conditions of the contracts and the prices that can be charged.

Standard Large Customer Retail Contract

Standard Large Customer Retail Contracts apply in two situations:

1. Where a large customer has never signed a negotiated retail contract or moves into a new premises and starts using electricity without contacting a retailer
2. Where a large customer's negotiated retail contract has expired and a new contract has not been agreed (unless the expired negotiated contract provides otherwise).

In each of these cases the Standard Large Customer Retail Contract is **deemed** to apply – it does not need to be signed by the customer.

¹ To find out more about the classification of customers refer to the *Classification of Customers* fact sheet.

Although referred to as a “standard” contract, there is no single contract that applies to all large customers in Queensland. Each licensed retailer is required to have a standard contract, and the terms and conditions of the contract are set by each retailer and must be published on the retailer's website and lodged with the Queensland Competition Authority. These terms must be **fair and reasonable**.

Price

The prices that will be charged under a Standard Large Customer Contract will vary depending on whether a customer at the premises in question has ever been on a negotiated contract.

Where the customer has never entered a negotiated contract for the premises, and no previous owner of the premises has entered a negotiated contract for the premises, the prices that must be charged are the **notified prices**. Notified prices are regulated electricity prices (or tariffs) set by the Queensland Government which are usually adjusted on an annual basis².

Where the customer, or a previous owner of the premises, has previously entered into a negotiated contract for the premises (including situation 2 above), the prices are set by the retailer. In such cases, the prices must be **fair and reasonable**. Retailers may base these prices on the National Electricity Market spot market price, which can vary significantly over time and at times can be high³.

Negotiated Retail Contract

A Negotiated Retail Contract is a contract agreed between a large customer and a retailer. The contract will only exist where the customer has explicitly agreed to the contract, by signing the contract or in some other way. A Negotiated Retail Contract cannot operate by default.

The terms, conditions and prices that apply under a Negotiated Retail Contract between a large customer and a retailer are those agreed by the parties to the contract. There are no minimum terms and conditions

² For more information on notified prices, refer to the *Regulated Electricity Prices* fact sheet.

³ To find out more about electricity spot market prices, refer to the *Wholesale Electricity Prices* fact sheet.

and no limitations on the prices that can be charged under these contracts – these matters are all open to negotiation between the retailer and the large customer (subject to being consistent with any other relevant legal requirements).

Small Customer Retail Contracts

Small customers are those that consume up to 100 megawatt hours of electricity per annum, which includes most residential and many small business customers⁴.

Small electricity customers can enter either **standard** or **negotiated** retail contracts. There are some important differences between when these contracts apply (i.e. how they are entered into), the terms and conditions of the contracts and the prices that can be charged.

Standard Retail Contract

The Standard Retail Contract for small customers will apply in two situations:

1. Where a small customer has never signed a negotiated retail contract, or moves into a new premises and starts using electricity without contacting a retailer
2. Where a small customer's negotiated retail contract has expired and a new contract has not been agreed (unless the expired negotiated contract provides otherwise).

In each of these cases the Standard Retail Contract is **deemed** to apply – it does not need to be signed by the customer.

The Standard Retail Contract for small customers is set out in Annexure 2 to the *Electricity Industry Code*, which is available at www.dme.qld.gov.au. These terms and conditions are approved by the Queensland Government and apply to all small non-market customers (i.e. small customers who are not a party to a negotiated retail contract).

⁴ To find out more about the classification of customers refer to the *Classification of Customers* fact sheet.

All customers on the Standard Retail Contract must be charged the regulated electricity prices, which are also known as **notified prices**⁵.

Negotiated Retail Contract

A Negotiated Retail Contract is a contract agreed between a small customer and a retailer. The contract will only exist where the customer has explicitly agreed to the contract, by signing the contract or in some other way. A negotiated retail contract cannot operate by default.

The terms, conditions and prices that apply under a Negotiated Retail Contract are those agreed by the small customer and retailer, but must be consistent with the minimum terms and conditions set out in the *Electricity Industry Code*. These **minimum terms and conditions** cover aspects of the contract such as billing, payment and disconnection.

While there is no specific requirement that the prices charged must be "fair and reasonable" as there is for large customers, in practice the notified prices will act as a cap on the prices charged under Negotiated Retail Contracts. This is because all small customers are entitled to revert to a Standard Retail Contract and pay the regulated prices at the end of a negotiated contract, if they choose. In fact, small customers can switch between standard and negotiated contracts as many times as they like⁶.

Because this right to return to the Standard Retail Contract exists, retailers will have to offer customers a better deal (i.e. lower prices or better services) if they want to win and keep their business.

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⁵ For more information on notified prices, refer to the *Regulated Electricity Prices* fact sheet.

⁶ For more information about which customers are entitled to return to the notified prices, refer to the fact sheet titled *Which customers can Access the Regulated Statewide Uniform Tariffs?*