

Retail Competition Information Brief No. 6

Choosing an Electricity Retailer

As part of the Government's decision to join the National Electricity Market (NEM), competition in the retail sector will be introduced from 1 July 2006.

Competition will be phased in by progressively allowing certain groups of customers (**tranches**) - starting with the biggest power users - to choose their electricity supplier (**retailer**).

Customers who can choose their retailer are called **contestable customers**. Customers who are not yet classed as contestable - termed **non-contestable** - continue to be supplied by Aurora Energy Pty Ltd.

In choosing a retailer, you will need to decide which product best suits your business's needs, balancing issues of price, supply, reliability and risk.

Negotiating an electricity retail contract can provide your business with a host of options. Retailers may offer electricity contracts at various prices; fixed, variable or "flow-through" rates. Retailers may also offer contracts for different lengths of time and offer additional services such as natural gas contracts, customised billing and/or energy management advice.

A request for quotation or tender document will need to be developed to ensure that quotations received can be compared. Experience in other jurisdictions indicates that broking houses may offer to provide this tendering process on behalf of customers. A tender should contain information such as:

How much electricity does your business need?

- Electricity usage for the past 12 months (look at your previous bills)
- Do you have any plans to expand your business or install new equipment that will increase (or decrease) electricity usage by your business?

When does your business need electricity?

- Does your business use electricity five or seven days per week?
- What time of day does your business use electricity (eg day, night or afternoon)?
- Can some of the load be shifted to a different time?
- Is the demand for electricity constant throughout the year or does your business consume more at certain times of the year?

What sort of reliability of supply does your business need?

- Could your business operate with an interruptible contract (ie a contract which allows the retailer to turn off your supply at times of peak demand or other defined times – your business should pay less for supply if it agrees to such a contract)?
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- What reliability and quality requirements does your business have?

What sort of price/risk trade off is your business willing to accept?

- Is your business looking for a firm price?
- Is your business prepared to take any market risk – ie do you want exposure to the NEM spot price for any of your consumption?
- What are the network and other charges?
- What is the future cost escalation?
- What length of contract does your business want?
- What sort of payment terms are best suited for your business?
- Can the terms and prices of the retail contract be renegotiated at any time?
- What costs and penalties are attached to early termination of the contract?

Other Issues

- The structure of and obligations arising from the National Electricity Market mean that there are costs and expenses that can flow through to retailers. A retailer may seek to pass these costs on to the customer. Your business needs to understand whether the proposed contract has this effect.
- Your business may find it easier to compare electricity quotes from different retailers if they separately itemise:
 - the energy charge (that is the charge for the power used by your business);
 - network charges (these are the transmission and distribution charges for use of the high voltage transmission network and the poles and wires – these charges are fixed and regulated); and
 - the overall charge to you as the business customer.
- It is important to note that customers wishing to negotiate contracts with the incumbent retailer may do so at any stage prior to becoming contestable.

Where can I get further information?

Further information on Tasmania's energy reform framework is available on the Internet at www.treasury.tas.gov.au.

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