

## FACT SHEET

# Early termination fees for small electricity customers

Based on *Early Termination Fees – Regulating the fees charged to small electricity customers in NSW – Final Report*  
December 2013

Early termination fees are sometimes included in market contracts for electricity. These fees are payable if customers terminate their contract before the fixed term (typically between 1 and 3 years). There are also electricity market offers available that have no fixed term and do not include any early termination fees.

This fact sheet explains the new arrangements for early termination fees that will commence in March 2014. The arrangements are being put in place by the NSW Government to provide small customers with protection from unreasonably high fees as well as specific fee exemptions for vulnerable customers.

Under the new arrangements commencing 1 March 2014, early termination fees for small customers who break their market contract for electricity cannot exceed the sum of:

- ▼ the 'base' early termination fee caps determined by IPART, plus
- ▼ the payback of any upfront benefits provided to the customer (eg, rebates on the first bill, magazine subscriptions and memberships to rewards programs).


In other words there may be 2 components of early terminations fees. IPART has been asked to set a cap for one component with the other being set by the retailer. See Box 1 on page 3 for more information.

### 1.1 Our final decision on base early termination fee caps

We have recently undertaken a review and determined base early termination fee caps of:

- ▼ \$130 within the first 12 months, and
- ▼ \$45 thereafter (until the end of the contract).

As indicated above, on top of these caps retailers can add an amount for the payback of the monetary cost to the retailer of any upfront benefits provided to the customer (on a pro-rata basis).



We have set the level of these caps so that retailers can recover reasonable costs of early termination. By allowing retailers to recover costs from the customers who impose them, it means they don't need to be recovered from all other market customers. This means we are ensuring that electricity prices do not have to rise for customers on market contracts.

## **1.2 What does this decision mean for me?**

The base early termination fee caps are for small customers under market contracts for electricity, or the electricity component of dual fuel contracts.

Our decision does not introduce new fees. Instead, it will provide added protection for customers by putting a cap on one component of early termination fees.

Retailers can set lower fees than our caps. This is already the case in NSW, where many retailers provide market offers with a zero early termination fee. We expect the competitive market in NSW will ensure this practice continues, and customers will be able to choose an offer that best suits them.

To protect vulnerable customers, the new regulations require that the base early termination fee caps cannot be applied to:

- ▼ customers on hardship programmes
- ▼ customers receiving the Low Income Household Rebate or the Medical Energy Rebate on the last bill before termination, or
- ▼ customers that paid any part of the last bill by an Energy Accounts Payment Assistance (EAPA) Scheme voucher.

## **1.3 Customers should shop around for the best deal**

We encourage NSW energy customers to compare offers from retailers and ensure that they have the most appropriate offer for their needs.

Early termination fees are only one component in the overall offer to customers. When shopping around for the best deal, customers should consider all the aspects of a retailer's offer, including prices and other terms and conditions. Early termination fees will only be paid when customers terminate their electricity contract early and their contract included such fees.

The Australian Energy Regulator operates a free electricity and gas on-line comparison service, [www.energymadeeasy.gov.au](http://www.energymadeeasy.gov.au), which allows consumers compare energy offers from energy retailers in NSW.

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**Box 1**      **IPART's role in regulating market contracts**

IPART's role in regulating market contracts is limited to setting the maximum Early Termination Fee base (ETF), to which retailers may also add their own conditions to recover any upfront benefits they offer to customers entering into the contracts.

