

Our reference: 14/656

Contact Jessica Robinson
T (02) 9290 8405
E jessica_robinson@ipart.nsw.gov.au

19 July 2017

The Hon. Gladys Berejiklian, MP
Premier
GPO Box 5341
SYDNEY NSW 2001

Dear Premier

IPART Review of Early Termination Fees

In July 2013 the then Premier asked IPART to set a cap on the early termination fees (ETFs) that electricity retailers can charge NSW customers if they enter into a fixed term retail electricity contract and exit their contract early. The terms of reference required that IPART review our findings every two years.

In December 2013 we set caps (ex-GST) of:

- ▼ \$130 if the customer exits the contract within 12 months of the date of first supply, and
- ▼ \$45 thereafter (until the end of the fixed term contract or fixed benefit period of a market retail contract).

In December 2015, we wrote to the then Premier to advise him we considered that a review of ETFs was not necessary as competition was protecting customers. We recommended that the period to review the existing caps be extended to 20 December 2017, or by a subsequent date advised by the Premier.

The Premier accepted our recommendation to defer the review of ETFs, and confirmed that we were required to review early termination fees for fixed term electricity contracts by 20 December 2017.

In our November 2016 Report on the *Review of the performance and competitiveness of the retail electricity market in NSW*, we found that the majority of market offers for residential customers now either do not include an ETF, or have ETFs well below these caps, and that competition was providing a better form of protection for customers relative to price regulation. For this reason, we concluded that price regulation of ETFs was no longer required.

As competition is continuing to provide a better form of protection for customers relative to regulated ETF fee caps, we recommend extending the period to review existing caps to December 2019 or a date advised by the Premier. This would mean that the current caps would remain in place until this review is completed or the Government makes a decision to deregulate ETFs.

IPART's contact officer for this matter is Jessica Robinson, A/Director, contactable on (02) 9290 8405.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter J. Boxall'.

Peter J.Boxall AO
Chair