



TREASURER

MINISTER FOR ENERGY

MS18-001177

Ms Paula Conboy
Chair
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3000

Dear Ms ~~Conboy~~ *Paula*

You would be aware that the Prime Minister recently confirmed the Australian Government will adopt a number of recommendations from the Australian Competition and Consumer Commission's (ACCC) Retail Electricity Pricing Inquiry.

The Australian Government is focussed on reducing retail electricity prices. A priority for the Government is the swift introduction of a default market offer for both residential and small business electricity consumers. This landmark reform will replace the standing offer for those customers who are not subject to state-based price regulation.

Consistent with the Inquiry recommendations 30 and 49, we consider the AER is the appropriate body for setting a maximum price for the default market offer in each network distribution region that does not have a regulated standing offer price.

Accordingly, we ask that the AER commence work immediately on developing a mechanism for determining the price of the default market offer, consistent with the ACCC's recommendations. As part of this, we ask that the AER also develop a mechanism for determining a reference bill amount for each network distribution region, from which headline discounts can be calculated, in accordance with ACCC Recommendations 32 and 50.

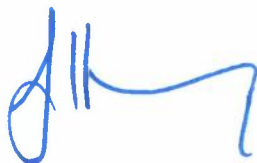
We ask that the AER's final determination for 1 July 2019 default offer prices and the reference bill be publicly released by 30 April 2019, to bring about price reductions for residential and small business consumers.

We recognise that introducing the default offer and reference bill will require legislative support. The Australian Government, intends to work closely in the first instance with state and territory governments to prepare the legislation to implement these changes. Should state and territory agreement not be forthcoming, the Australian Government will underpin the introduction of these reforms through Commonwealth legislation.

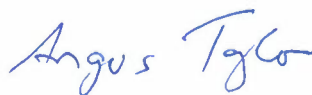
Following the introduction of legislative reforms supporting the default offer, the Australian Government intends to commence updating consumer protections and abolish the Standard Retail Contract, as recommended by the ACCC. This work will be undertaken in cooperation with the AER and state and territory governments, and informed by stakeholder consultation.

We ask that you work closely with officials from the Treasury and the Department of the Environment and Energy throughout this process, and undertake consultation as appropriate. As this is a priority for the Australian Government, we ask the AER provide a fortnightly update on the progress of the work.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'JF', with a stylized flourish extending to the right.

JOSH FRYDENBERG
Treasurer

A handwritten signature in blue ink that reads 'Angus Taylor' in a cursive script.

ANGUS TAYLOR
Minister for Energy

CC: The Hon Scott Morrison MP, Prime Minister of Australia