

# Comparison of Regulated Standing Offer Electricity Prices and of Gas Prices in Australia

March 2020



## CONTACT DETAILS

### Office of the Tasmanian Economic Regulator

Office hours: 8.45am to 5.00pm, Monday to Friday (except public holidays)

Street address: Level 3, 21 Murray Street, Hobart, Tasmania 7000

Postal address: GPO Box 770, Hobart, Tasmania 7001

Telephone: (03) 6166 4422 or international +61 3 6166 4422

Email: [office@economicregulator.tas.gov.au](mailto:office@economicregulator.tas.gov.au)

Website: [www.economicregulator.tas.gov.au](http://www.economicregulator.tas.gov.au)

Published March 2020

ISBN 978-1-922379-08-5

Copyright

© Office of the Tasmanian Economic Regulator

# 1 INTRODUCTION

Under section 10C(2)(a) of the *Electricity Supply Industry Act 1995* (ESI Act), the Tasmanian Economic Regulator (the Regulator) may prepare a report comparing electricity prices available to small customers<sup>1</sup> across Australian jurisdictions, either by the Regulator's own initiative or if directed to do so by the Minister.

As the majority of Tasmanian electricity customers are on standard retail contracts, to compare electricity retail prices across providers and jurisdictions, the price comparison report compares the estimated annual expenditure faced by a small customer under Tasmanian standing offer (regulated) electricity prices, with comparable standing offer<sup>2</sup> electricity tariffs across mainland Australia.

There are limits to comparing standing offer prices only across jurisdictions. According to the Australian Energy Regulator's *Annual Retail Markets Report 2018-19*, as at 30 June 2019, 60.5 per cent of residential retail electricity customers in Queensland, 91.7 per cent in South Australia, 50.9 per cent in the Australian Capital Territory and 87.7 per cent in New South Wales were on market retail contracts, compared with only 3.2 per cent in Tasmania. Generally, standing offer prices are higher than market offer prices. This indicates that the majority of residential electricity customers in mainland Australia jurisdictions may not be paying as much as the standing offer prices used in this report.

The Regulator intends to review the structure of the price comparison report prior to the scheduled release of the next report in August 2020.

The report also compares the estimated annual expenditure faced by small gas customers in Tasmania and mainland jurisdictions. While a comparison of gas prices is not a statutory requirement for the Regulator, the Regulator considers the inclusion of the gas price comparison appropriate for the report and provides additional information to the general public.

---

<sup>1</sup> A small customer is a residential or business customer consuming less than 150MWh of electricity per annum.

<sup>2</sup> In this report, the Default Market Offer (DMO) prices and the Victorian Default Offer (VDO) prices are referred to as standing offer prices.

## 2 ELECTRICITY EXPENDITURE COMPARISONS

For electricity expenditure comparisons, the Regulator compares estimated annual customer expenditure under Aurora Energy's tariffs with the expenditure under interstate tariffs, based on the estimated usage of typical or representative Tasmanian residential and business customers (Typical Customers).

The comparison uses the following Aurora Energy tariffs:

Residential:      Tariff 31 - residential light and power;  
                         Tariff 41 - residential space heating and hot water; and

Business:        Tariff 22 - general use business.

Since the release of the previous price comparison report, the Regulator has released the *Typical Electricity Customers in Tasmania 2020* report (Typical Customers 2020 report), which contains an updated set of annual usage for electricity customers paying standing offer prices. The annual usage is based on the 2018-19 customer usage data from Aurora Energy.

This Report uses the annual electricity usage by Typical Customers from the 2020 report. Where changes in expenditure on electricity are shown from the levels in the Regulator's previous report, *Comparison of Regulated Standing Offer Electricity Prices and of Gas Prices in Australia August 2019* (the August 2019 Report), the usage levels in the Typical Customers 2020 report are used in both cases.

In this Report, to estimate expenditure the standing offer prices as at 27 January 2020 are applied for an entire year's consumption. The expenditure levels are therefore the estimated expenditure over a year, starting from 27 January 2020. This means the estimated expenditures in this report do not factor in any price changes which might occur during the year from 27 January 2020.

Some interstate tariffs are not directly comparable to Aurora Energy's tariffs. If an off-peak or controlled load tariff is not offered for an area, this Report assumes that the total usage is under a general use tariff. Table 1 shows the annual usage assumptions. Appendix 1 provides a list of the tariffs used in the price comparisons.

As set out in Table 1 below, a certain proportion of usage is assumed to have been used under a general use tariff with the remainder used for off peak / controlled load purposes (space heating and hot water or hot water only). These proportions differ depending on whether the customer is a residential customer without a concession or a residential with a concession.

For business customers, two total annual usages are used to estimate annual expenditure, representing the median and the median of the second highest quintile of usage by Aurora Energy's business customers on Tariff 22 during 2018-19. This is to take into account the very large variation in total annual usage among business customers in Tasmania, as detailed in the Typical Customers 2020 report. For the business customers with median usage, annual consumption of 4 428 kWh is assumed. For the business customers with higher usage, annual consumption of 10 780 kWh is assumed.

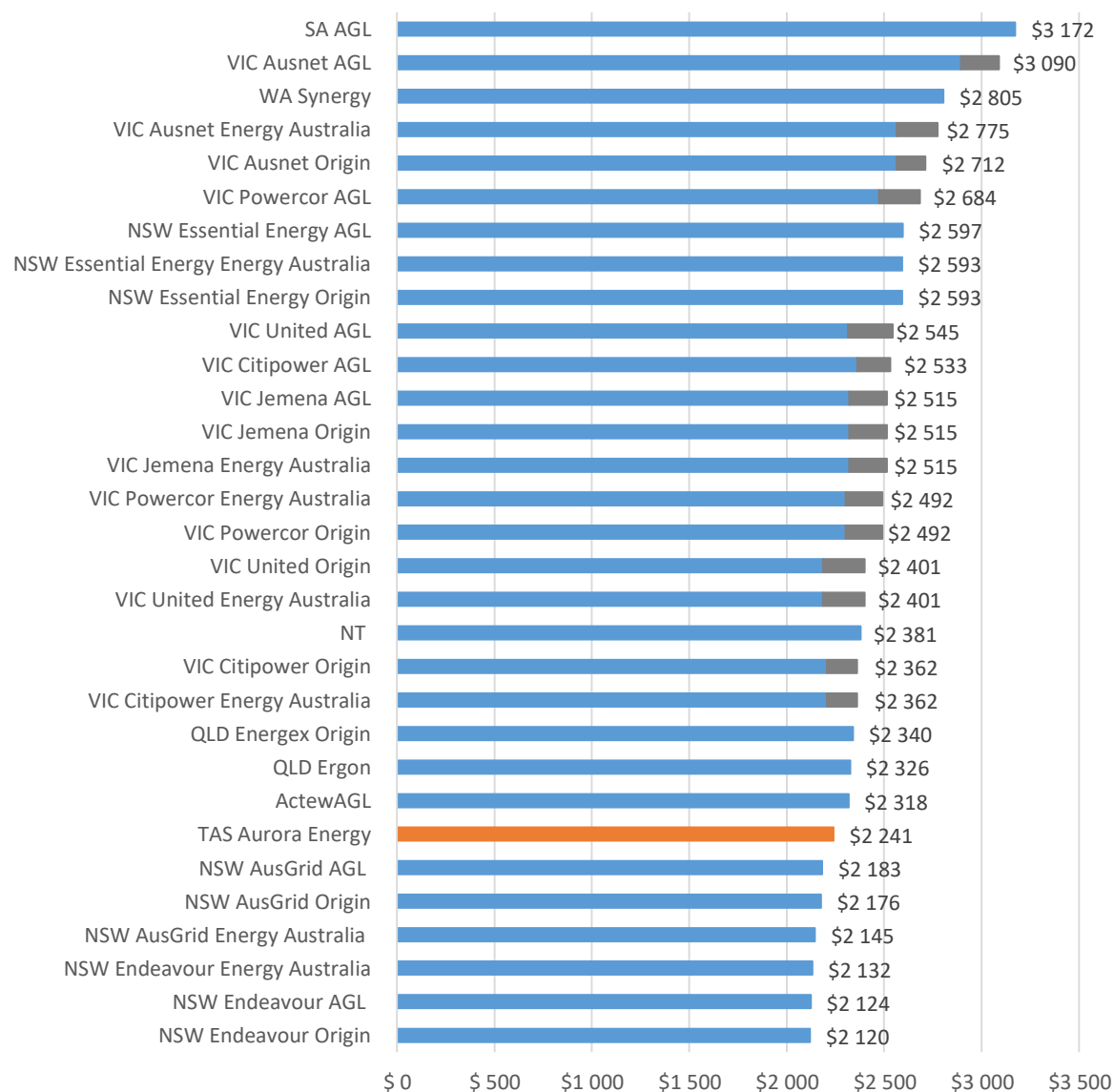
**Table 1: Annual electricity usage assumptions - residential customers**

Annual usage (kWh)	An off-peak/controlled load tariff for space heating and hot water is available	An off-peak/controlled load tariff for hot water only is available
<i>Non-concession residential customers</i>		
Usage under general tariff	3 682	5 390
Usage under off-peak/controlled load tariff	4 740	3 032
Total usage	8 422	8 422
<i>Concession residential customers</i>		
Usage under general tariff	2 858	4 703
Usage under off-peak/controlled load tariff	3 830	1 986
Total usage	6 688	6 688

## 2.1 Residential electricity expenditure comparison (customers without concessions)

Chart 1 compares the estimated annual expenditure under standing offer tariffs available to residential customers across Australia, based on a total median annual usage of 8 422 kWh estimated from Tasmanian residential customers without a concession and using standing offer prices available across Australia as at 27 January 2020.<sup>3</sup> The dark grey component represents the increase in estimated annual expenditure since 1 July 2019 based on the same usage level.

Chart 1: Non-concession residential customers' electricity expenditure (27/1/2020 prices)



The estimated annual expenditure under Aurora Energy's tariffs is within the bottom one quarter of the range of tariffs examined. Compared to the August 2019 Report there are fewer cases where expenditure is lower under mainland tariffs than under Aurora Energy's tariffs. This is because the standing offer prices in Victoria (the VDOs) increased from 1 January 2020 resulting in estimated annual expenditure under all VDOs being higher than under Aurora Energy's tariffs.

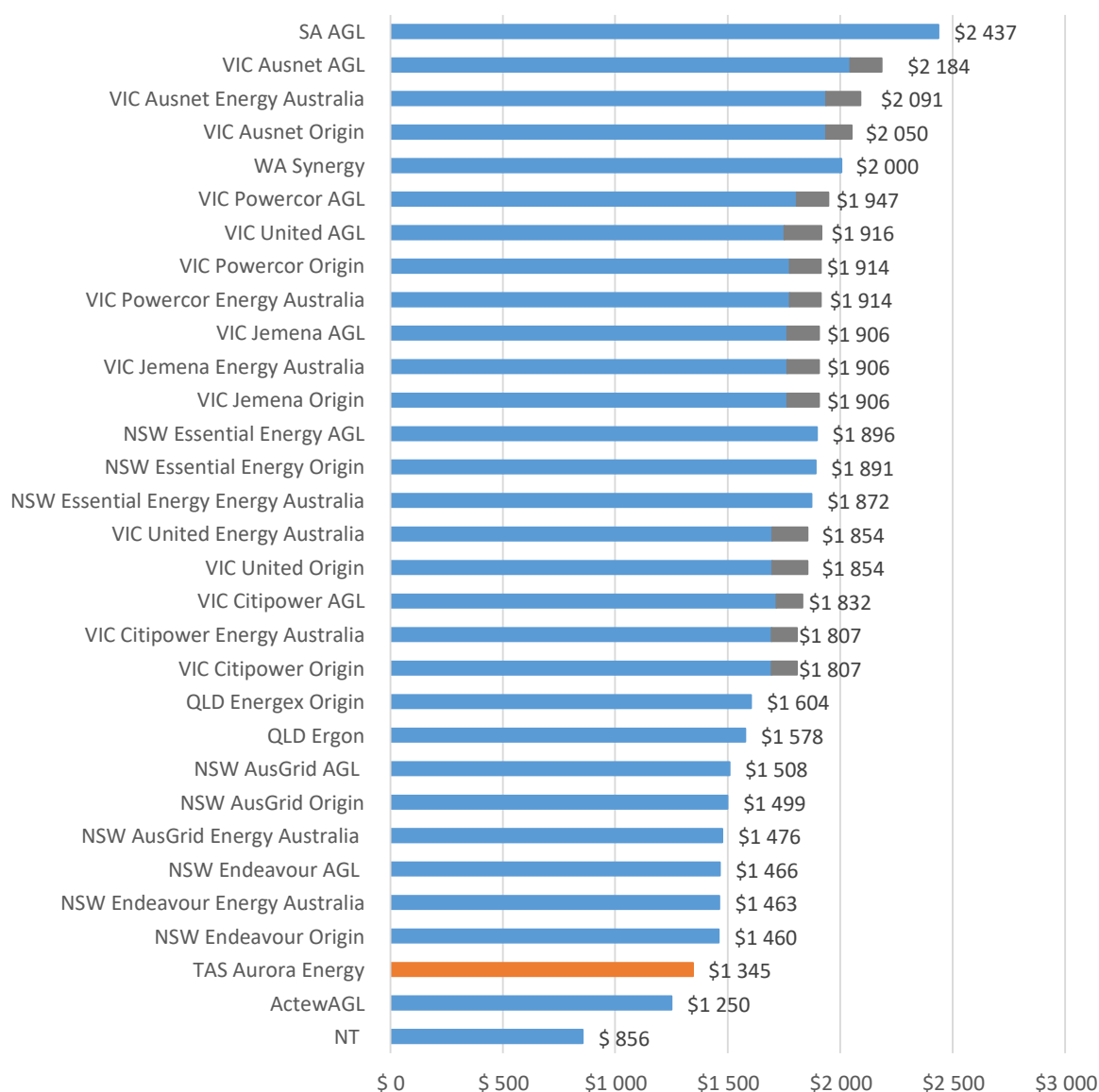
<sup>3</sup> This is the most recent date any new price was introduced for the standing offer electricity products listed in Chart 1.

As stated in the introduction, most customers in the NEM are on market retail contracts and are likely to be paying less than they would pay under standing offer prices. These market contracts, however, may have less favourable terms and conditions than apply under standing offer tariffs.

## 2.2 Residential electricity expenditure comparison (customers with concession)

Chart 2 compares the estimated annual expenditure for residential customers receiving concession discounts, assuming total usage of 6 688 kWh. The dark grey component shows the increase in estimated annual expenditure since 1 July 2019, based on the same usage level.

Chart 2: Concession residential customers' electricity expenditure (27/1/2020 prices)<sup>4</sup>



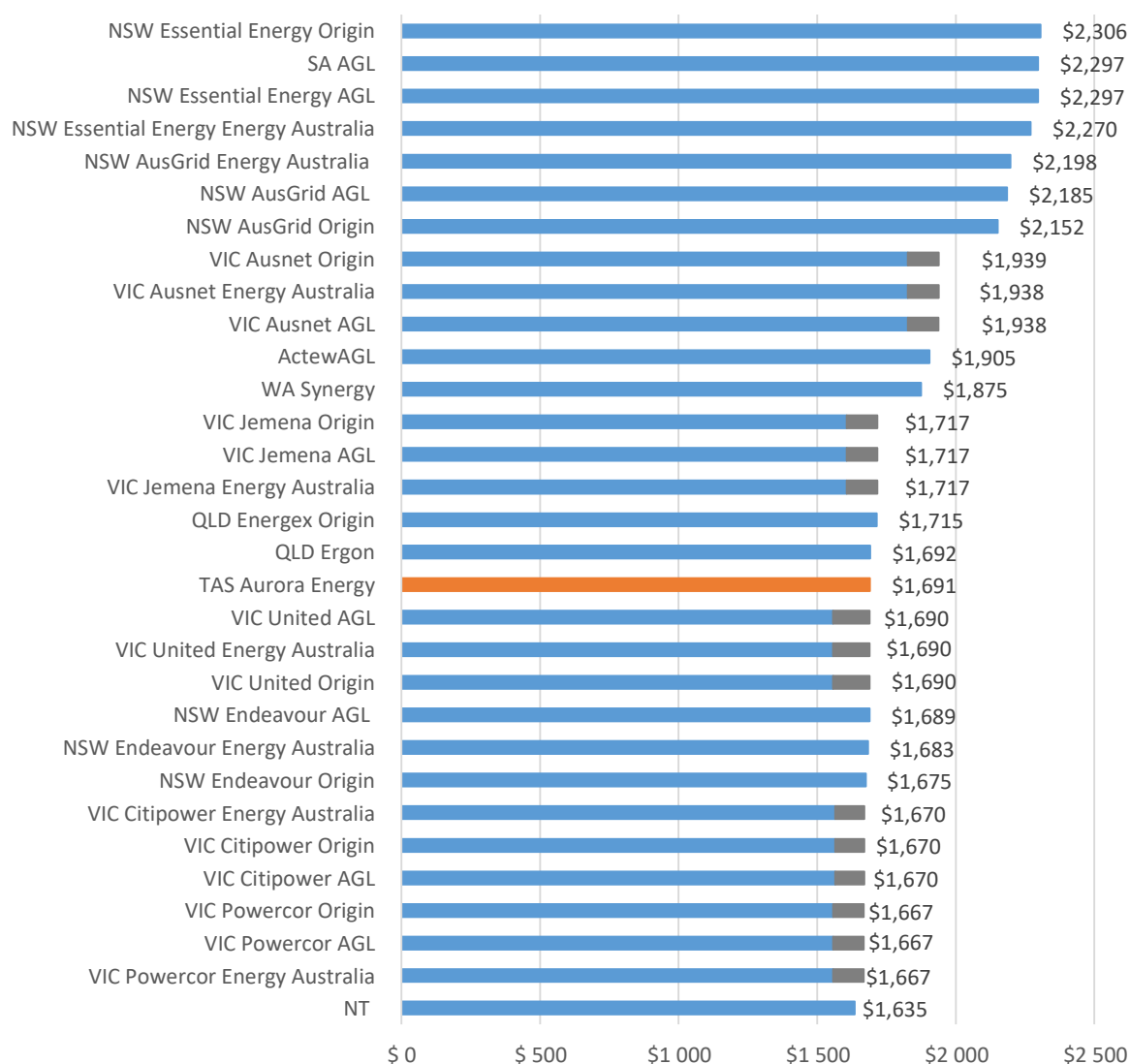
<sup>4</sup> The concession discount available in the Australian Capital Territory is a combined utilities discount that relates to electricity, gas, water and sewerage costs. For this, and as in previous, comparisons, the full discount is applied, resulting in lower notional bills for Australian Capital Territory customers than would have otherwise been the case.

Expenditure by Aurora Energy's concession customers on the relevant standing offer tariff is the third lowest of the tariffs examined.<sup>5</sup>

## 2.3 Business electricity expenditure comparison

Chart 3 compares the estimated annual expenditure for business customers using standing offer tariffs available to businesses across Australia, assuming a median annual total usage of 4 428 kWh. The dark grey component represents the increase in estimated annual expenditure since 1 July 2019.

Chart 3: Business customers' electricity expenditure - median consumption (27/1/2020 prices)



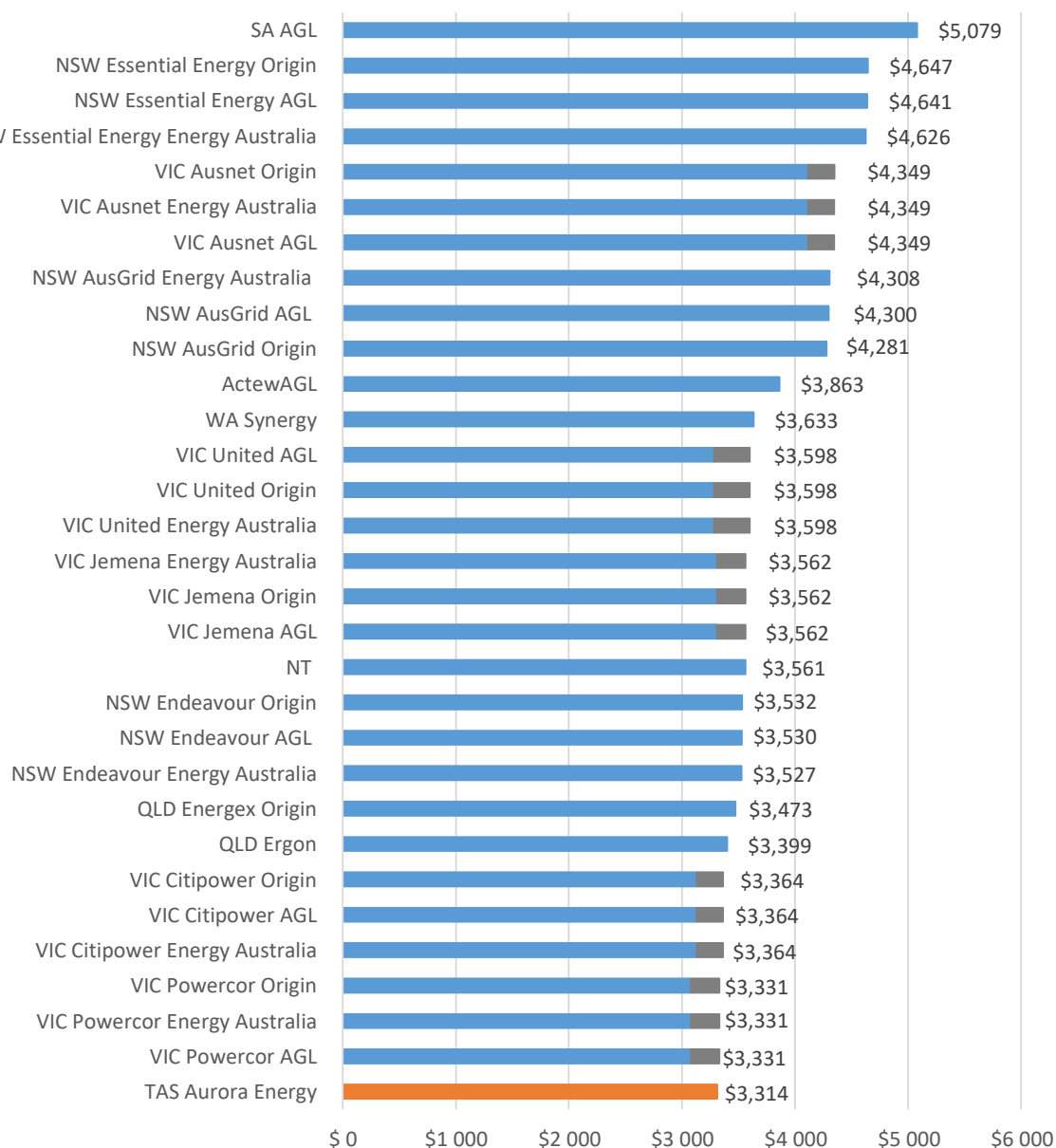
For the median business customer, annual expenditure estimated from Aurora Energy's Tariff 22 is just below the median of the range of estimated expenditures. There is very little variation in the estimated expenditures after the top one third of standing offer tariffs. On a weekly basis, estimated expenditure under Aurora Energy is only just over one dollar more than under the lowest standing offer tariff examined for business customers.

<sup>5</sup> At the annual usage level used for the calculation, Northern Territory has the highest concession amongst Australian jurisdictions, with a \$465.01 annual fixed discount and 34.9 per cent usage discount per kWh, totalling \$1 073.62 discount; followed by Australian Capital Territory with a fixed annual discount of \$700.



Chart 4 compares the estimated annual expenditure for business customers on standing offer tariffs available to businesses across Australia, assuming a higher total usage of 10 780 kWh. The dark grey component represents the increase in estimated annual expenditure since 1 July 2019 based on the annual usage of 10 780 kWh.

Chart 4: Business customers' electricity expenditure - higher than median consumption (27/1/2020 prices)



Annual expenditure on Aurora Energy's Tariff 22 for business customers with higher than median usage is the lowest amongst the range of expenditures estimated, and therefore ranked lower than for the median business customer as shown in Chart 3. This difference is because under Tariff 22, once quarterly usage exceeds a specified level (500 kWh) the price for additional electricity usage per kWh is lower. A number of mainland retailers also offer a different usage charge for usage exceeding a specific level, but those charges increase as consumption increases. The overall outcome is that business customers on Aurora Energy's Tariff 22, with higher than median usage, have the lowest estimated annual expenditure in Australia.

Once again, however, retailers in mainland Australia, and in Tasmania, offer market contracts to business customers that result in lower expenditure than under standing offer tariffs.

## 3 GAS EXPENDITURE COMPARISONS

The Tasmanian gas market is comparatively small compared to other jurisdictions, with just 13 020 residential retail customers and 1 052 non-residential and commercial customers as at 30 June 2019. This means the economies of scale prevalent in most jurisdictions do not exist in Tasmania.

Tasmanian gas prices are unregulated. There are two reticulated gas retailers in Tasmania for general customers, Tas Gas Retail and Aurora Energy, each offering a single residential tariff and a single business tariff.

Appendix 2 includes links to the gas pricing information used for this comparison.

### 3.1 Residential gas expenditure comparison

The comparison is based on average Tasmanian residential annual gas usage of 30 000 MJ.<sup>6</sup> Chart 5 compares the estimated annual expenditure on gas using gas prices offered across Australian jurisdictions and gas pricing areas as at 5 February 2020.<sup>7</sup> The white component indicates a decrease in estimated annual expenditure since the August 2019 Report and the dark grey component indicates an increase.

Estimated annual expenditure for residential customers of both Tas Gas Retail and Aurora Energy is in the upper half amongst all the retailers in this comparison. Queensland customers would pay considerably more than the average amount at this usage level. However, in practice, Queensland gas customers' average usage is much lower than the usage level applied for this comparison.<sup>8</sup>

### 3.2 Business gas expenditure comparison

The comparison is based on annual gas usage by business customers in Tasmania of 430 000 MJ. Chart 6 compares the estimated annual expenditure using gas prices across Australian jurisdictions and gas pricing areas. The white component indicates a decrease in estimated annual expenditure since the Regulator's previous report, the grey component indicates an increase.

Estimated annual expenditure by Tasmanian business gas customers is relatively high when compared to expenditure using gas prices offered by mainland gas retailers, based on the same usage level.

<sup>6</sup> 3.6 megajoules (MJ) is equivalent to 1 kWh.

<sup>7</sup> This is the most recent date any new price was introduced for the gas products listed in Chart 5 and 6.

<sup>8</sup> Australian Energy Regulator (2018), *Annual Report on Compliance & Performance of the Retail Energy Market 2017–18*.

Chart 5: Residential gas expenditure (5/2/2020 prices)

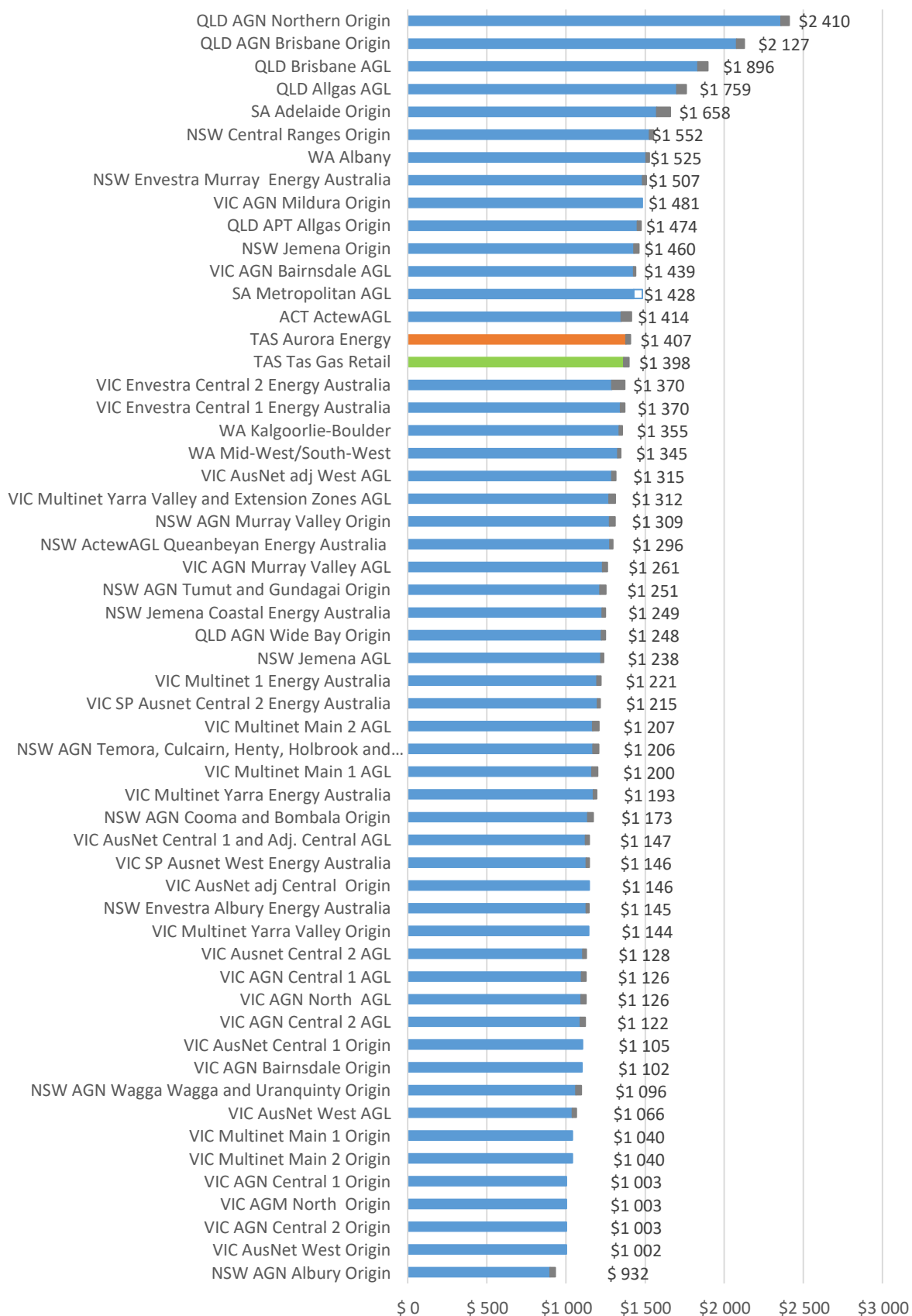
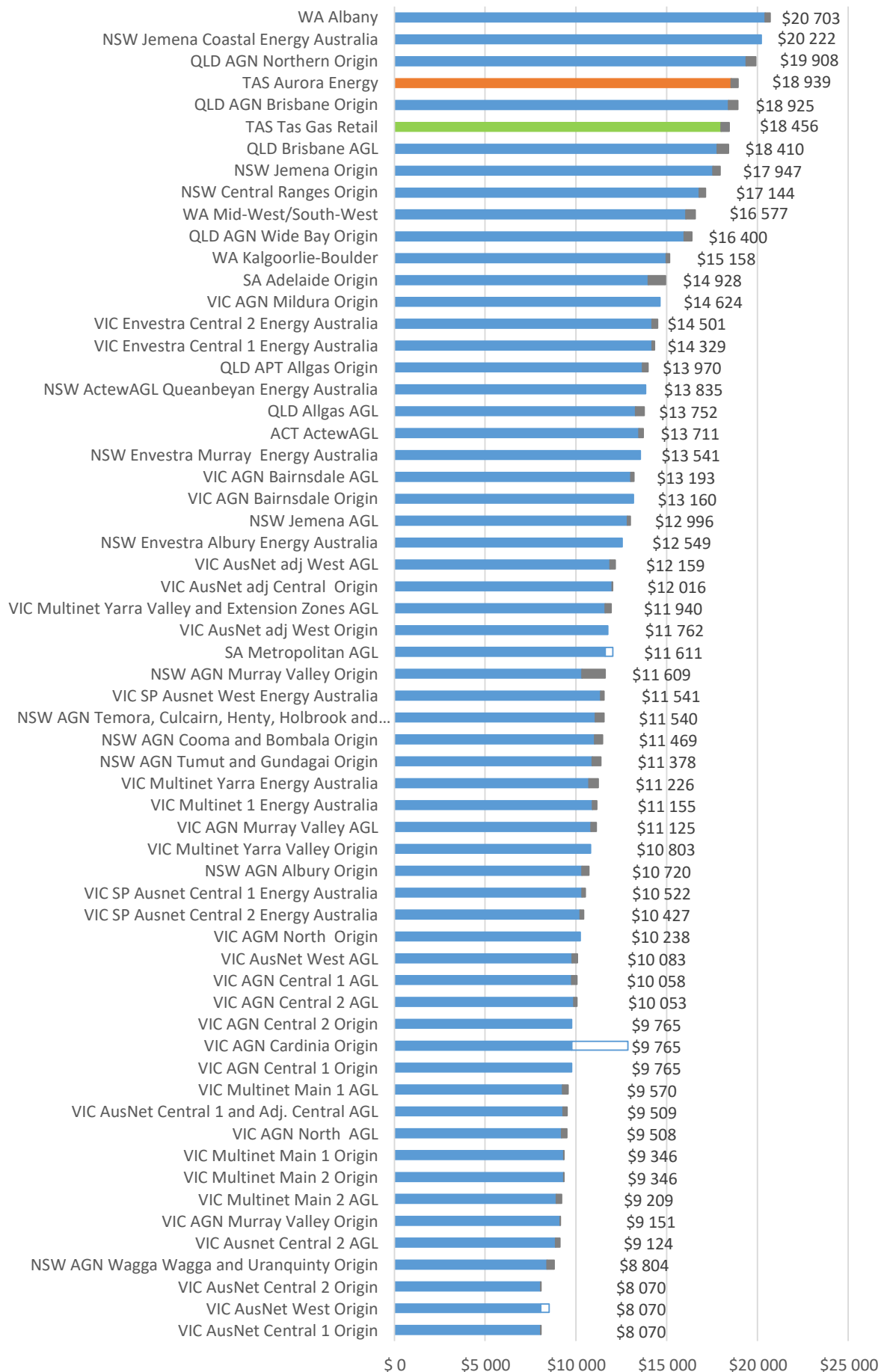


Chart 6: Business gas expenditure (5/2/2020 prices)



## Appendix 1: Standing offer electricity tariffs used in comparisons

	Residential general use tariff only	Residential general use tariff and hot water and space heating tariff	Residential general use tariff and hot water only tariff	Business general use tariff
<b>Australian Capital Territory</b>				
ActewAGL			✓	✓
<b>New South Wales</b>				
AusGrid AGL		✓		✓
AusGrid Energy Australia		✓		✓
AusGrid Origin		✓		✓
Endeavour AGL		✓		✓
Endeavour Energy Australia		✓		✓
Endeavour Origin		✓		✓
Essential Energy AGL		✓		✓
Essential Energy Energy Australia		✓		✓
Essential Energy Origin		✓		✓
<b>Northern Territory</b>				
NT	✓			✓
<b>QLD</b>				
Energex Origin		✓		✓
Ergon		✓		✓
<b>South Australia</b>				
AGL			✓	✓
<b>Tasmania</b>				
Aurora Energy		✓		✓
<b>Victoria</b>				
Ausnet AGL	✓			✓
Ausnet Energy Australia			✓	✓
Ausnet Origin			✓	✓
Citipower AGL	✓			✓
Citipower Energy Australia			✓	✓
Citipower Origin			✓	✓
Jemena AGL			✓	✓
Jemena Energy Australia			✓	✓
Jemena Origin			✓	✓
Powercor AGL	✓			✓
Powercor Energy Australia			✓	✓
Powercor Origin			✓	✓
United AGL			✓	✓
United Energy Australia		✓		✓
United Origin		✓		✓
<b>Western Australia</b>				
Synergy	✓			✓

[www.actewagl.com.au/Product-and-services/Prices.aspx](http://www.actewagl.com.au/Product-and-services/Prices.aspx)

[www.energymadeeasy.gov.au/](http://www.energymadeeasy.gov.au/)

[www.utilicom.nt.gov.au/Electricity/pricing/Pages/Electricity-Retail-Pricing.aspx](http://www.utilicom.nt.gov.au/Electricity/pricing/Pages/Electricity-Retail-Pricing.aspx)

[www.treasury.wa.gov.au/Public-Utilities-Office/Business-government-energy-pricing/Electricity-pricing/](http://www.treasury.wa.gov.au/Public-Utilities-Office/Business-government-energy-pricing/Electricity-pricing/)

[www.services.dhhs.vic.gov.au/annual-electricity-concession](http://www.services.dhhs.vic.gov.au/annual-electricity-concession)

[www.sro.tas.gov.au/pensioner-rates-remission-and-electricity-concessions/electricity-concessions](http://www.sro.tas.gov.au/pensioner-rates-remission-and-electricity-concessions/electricity-concessions)

[www.qld.gov.au/community/cost-of-living-support/concessions/energy-concessions/electricity-gas-rebates](http://www.qld.gov.au/community/cost-of-living-support/concessions/energy-concessions/electricity-gas-rebates)

[www.energysaver.nsw.gov.au/households/rebates-and-discounts](http://www.energysaver.nsw.gov.au/households/rebates-and-discounts)

[www.revenue.act.gov.au/community-assistance/utilities-concession](http://www.revenue.act.gov.au/community-assistance/utilities-concession)

[www.sa.gov.au/topics/care-and-support/financial-support/concessions/energy-bill-concessions](http://www.sa.gov.au/topics/care-and-support/financial-support/concessions/energy-bill-concessions)

[www.nt.gov.au/community/seniors/nt-seniors-and-concession-schemes/concession-amounts](http://www.nt.gov.au/community/seniors/nt-seniors-and-concession-schemes/concession-amounts)

[www.concessions.communities.wa.gov.au/Concessions/Pages/default.aspx](http://www.concessions.communities.wa.gov.au/Concessions/Pages/default.aspx)

## Appendix 2: Links to gas pricing information

[www.actewagl.com.au/Product-and-services/Prices.aspx](http://www.actewagl.com.au/Product-and-services/Prices.aspx)

[www.auroraenergy.com.au/your-home/gas/already-with-aurora-gas/rates-and-charges](http://www.auroraenergy.com.au/your-home/gas/already-with-aurora-gas/rates-and-charges)

[www.tasgas.com.au](http://www.tasgas.com.au)

[www.treasury.wa.gov.au/Public-Utilities-Office/Household-energy-pricing/Gas-pricing/](http://www.treasury.wa.gov.au/Public-Utilities-Office/Household-energy-pricing/Gas-pricing/)

[www.energymadeeasy.gov.au/](http://www.energymadeeasy.gov.au/)



