



**Comparison of 2013 Australian
Standing Offer Energy Prices**

April 2013

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EXECUTIVE SUMMARY

This Report compares natural gas and electricity prices available to small customers¹ across Australian states and territories under a regulated tariff or standing offer contract, as at 1 February 2013. The Report also examines the prices paid by customers entitled to a concession and, for Tasmanian customers, the extent to which concessions mitigate against price rises.

For Tasmanian residential customers the Report shows that, as of February 2013:

- low consumption electricity customers pay prices that are in the mid to high range of residential prices available in Australia, while low consumption customers eligible for a concession pay prices that are comparable with those available in other states;
- low consumption natural gas customers pay prices that are amongst the lowest in the country;
- electricity prices remain in the mid range for customers with average or high consumption, and customers with very high consumption pay prices that are below the national average, although this is largely dependent on the consumption split between various tariffs, such as Hot Water and Light and Power tariffs; and
- electricity customers entitled to receive a concession pay prices in the mid range of those available in Australia.

The Report also shows that from February 2013:

- Tasmanian electricity business customers on regulated tariffs² pay business rates that are competitive with those available in other states;
- Tasmanian business customers with consumption above 20 MWh per year and a high load factor (above 30 per cent) pay a lower rate on the low voltage demand tariff compared to the general business tariff; and
- Commercial gas prices in Tasmania appear to be in the upper band of natural gas business rates available in Australia.

¹ Customers who consume up to 150 MWh per annum.

² Business customers that consume less than 50 MWh per annum are on regulated tariffs. Those that consume between 50 and 150 MWh can enter a market contract or remain on a regulated tariff.

1 INTRODUCTION

This Report provides an overview of the pricing environment in both the electricity and gas retail markets for the first half of 2013, updating information presented in the *Comparison of 2012 Australian Standing Offer Energy Prices Report*, July 2012. The Report reflects:

- standing offer retail electricity tariffs in Victoria from 1 February 2013;
- the regulated electricity tariffs approved by the Tasmanian Economic Regulator for Tasmania from 1 July 2012 for non-contestable customers;
- regulated electricity tariffs in Western Australia, the Australian Capital Territory, Northern Territory, New South Wales and Queensland from 1 July 2012; and
- standing offer retail electricity tariffs in South Australia as at 1 February 2013.

This is the most recent in a series of reports that OTTER produces six monthly to inform electricity and gas consumers.

The electricity section compares prices in Tasmania and mainland states paid by residential customers from 1 February 2013, including a comparison of prices taking into account concessions available in each state. The section also compares prices paid by small business customers from 1 February 2013. A separate comparison between Tasmanian Aurora Pay As You Go prices and regulated tariffs is available on the Office of the Tasmanian Economic Regulator's (OTTER's) website.³

The natural gas section compares prices prevailing in Tasmania and mainland states for both residential and business consumers from 1 July 2012 as observed gas prices have not changed since that time.

³ OTTER, *2012 Aurora Pay As You Go price comparison report (rates from 21 July 2012)*, August 2012.

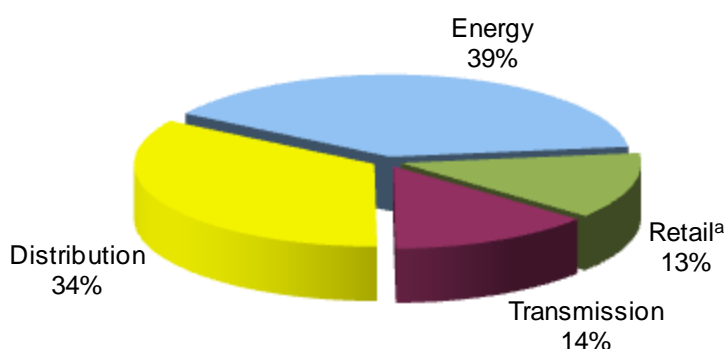
2 ELECTRICITY

Electricity prices increased in all States and Territories on 1 July 2012. Typically, the industry reviews and adjusts standard energy charges every six to 12 months. A number of factors have contributed to the price increases including the introduction of the Australian Government's Carbon Pricing Mechanism on 1 July 2012 and rising network charges. Victoria amended their electricity prices which applied from 1 February 2013. South Australia also reviewed their electricity prices which applied from various dates in January 2013. For the purposes of analysis the prices are taken to have been amended from 1 February 2013.

On 22 June 2012 the Regulator approved Aurora Energy's retail tariffs for the period 1 July 2012 to 30 June 2013 in accordance with the Regulator's 2010 Price Determination.⁴ Tasmanian non-contestable customers experienced average price increases of 10.56 per cent on 1 July 2012. At the time of the 2010 Price Determination, an increase of 8.71 per cent was projected on 1 July 2012. Higher than forecast network charges, higher than forecast costs of complying with the Australian Government's renewable energy schemes and higher rates of inflation were the main reasons for the price increase being more than the increase forecast in 2010.

The following comparisons use the approved regulated tariffs for Tasmania, Western Australia and the Northern Territory and the approved standing offer prices for the major retailers in Victoria, South Australia, New South Wales and the Australian Capital Territory.

Figure 2.1: Price components of a typical electricity bill⁵



^a Includes costs of Renewable Energy Certificates and Australian Energy Market Operator market charges

For the average customer on a retail tariff, the breakdown in costs is approximately 39 per cent for the cost of energy (generation), 14 per cent for the transmission of electricity, 34 per cent for the distribution of electricity and 13 per cent for the electricity retail service.⁵ These numbers are approximate and differ slightly for each

⁴ OTTER, *Declared electrical services pricing determination*, October 2010.

⁵ Percentages have been rounded to the nearest whole percent.

tariff, but give a reasonable indication of the impact that each part of the industry has on a consumer's electricity bill.

2.1 Residential

2.1.1 Interstate comparisons

Comparison of interstate electricity prices is not straightforward, and requires consideration of the factors that characterise each market. The prices in each state and territory reflect:

- local cost structures;
- the nature of the energy market (in particular the take-up of natural gas by customers);
- the regulatory environment; and
- the differing weighting of fixed (daily) charges and variable (consumption-related) charges.

When comparing prices in Tasmania with those of mainland states, the following factors must be taken into account:

- Mainland states, where thermal generation predominates, have a distinct differential between peak and off-peak energy costs reflecting the fact that those systems are capacity constrained. Hence there are relatively cheaper off-peak retail rates compared to those offered by Aurora. The Tasmanian system is energy constrained (that is, constrained by water storage levels). Thus there is less reason for significant differences between peak and off-peak energy prices.
- Due to the comparatively low off-peak rates in the mainland states, off-peak (with or without any-time boost) is the most economical option in those states for electric water heating. There is comparatively less difference between the Aurora any-time hot water rate and the Aurora off-peak rate.
- Tasmanian average residential consumption is higher than that in other states due to the relatively lower availability and, therefore, take-up of natural gas and the colder weather which results in a higher space heating load. However, Tasmania has a relatively high number of wood heaters and comparatively little demand for air conditioning, although this is changing.
- Tariff structures differ between states. Most Tasmanian residential tariffs have a higher fixed (daily) charge and a lower variable (consumption-related) rate. Hence for many Tasmanian residential customers, the average incremental energy rates are lower than the equivalent average incremental energy rates in other states.

About six per cent of Tasmanian standard tariff customers take supply under the Light and Power tariff only (Tariff 31), while around 83 per cent take supply under a combination of Light and Power and Hot Water tariffs (Tariff 41 or Tariff 42). Only about 11 per cent take supply under an Off-Peak tariff (Tariff 61 or Tariff 62) either in

addition to, or as a substitute for, the Hot Water tariff. By comparison, water heating in parts of the mainland would usually be either gas or electricity at off-peak rates (available at around ten cents per kilowatt hour (kWh) in New South Wales, 11 to 17 cents per kWh in Queensland, and 14 to 20 cents per kWh in Victoria) rather than at the standard rate of around 17 cents per kWh hot water rate in Tasmania.

The use of solar hot water heaters has increased dramatically in other states due to government programs that offer incentives for residential customers to install solar and gas-boosted solar hot water systems. In Queensland, the phasing-out of electric hot water systems means that residential customers must choose from gas, solar or heat pump options.

It is therefore difficult to draw conclusions from simple direct comparisons between prices in each state. By looking at publicly available tariffs and calculating resulting prices across a range of consumption levels, it is possible to estimate the range of prices (average cents per kWh) that customers could reasonably expect to pay in each state.

To demonstrate the varying price per unit paid by low and high consumption customers due to the mix between fixed and variable charges, OTTER uses a methodology that produces price curves for a range of commonly used electricity tariff combinations (outlined in the Appendix), plotting average cost per unit of energy against consumption. The average cost is calculated based on the total quarterly bill, including all fixed and variable charges, divided by consumption. The average cost per kWh therefore represents the average price paid per kWh at any given level of consumption. This method takes into account the consumption split between tariffs (ie standard and off-peak) and the average consumption level as well as the different fixed and variable charges in each state.

Importantly, the prices selected are the approved residential standing offer or regulated prices for each state, noting that in states where retail markets are fully contestable, customers may have access to cheaper products than the approved standing offers.⁶ Average residential consumption levels vary between states. Consumption has been 'normalised' to enable comparison of households with similar consumption. This approach identifies the annual average residential electricity use for each state and normalises the range of consumption to between 20 per cent and 300 per cent of average consumption. This allows comparison of 'low' and 'high' consumption customers across states despite the actual consumption of these customers varying considerably (eg a 'low consumption' customer in Tasmania may consume more than a 'low consumption' customer in Western Australia owing to a higher dependence on electricity for necessities such as heating). The variation in average annual residential consumption between states is shown in the Appendix.

⁶ Approved standing offer prices are the default contract prices for customers, in accordance with a price determination made by the Regulator.

Figure 2.2 and Figure 2.3 show the range of costs per unit consumption (cents per kWh) for common residential tariffs across Australia (shaded area) available as at 1 February 2013 and indicate where Tasmania’s regulated tariffs sit within that range. **Note that the scale begins at 10 cents per kWh in these two figures.**

Figure 2.2 normalises consumption on the basis of percentage of state average residential consumption, while Figure 2.3 shows actual annual consumption on a cents per kWh basis, representing the range of prices available nationally.

Figure 2.2: Average residential electricity cost per kWh as at 1 February 2013 – normalised consumption

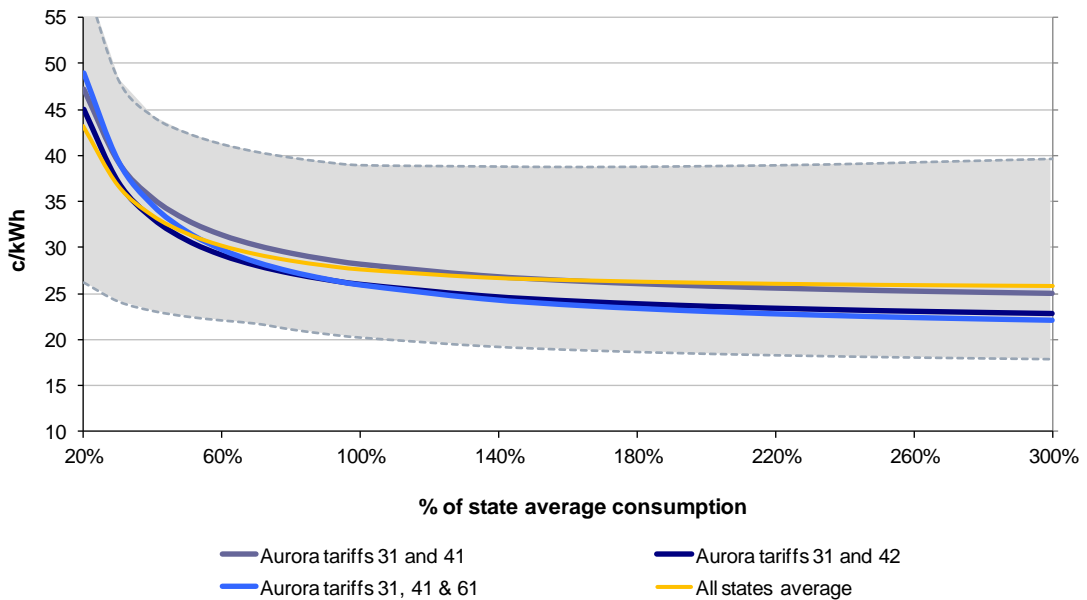


Figure 2.3: Average residential electricity cost per kWh as at 1 February 2013 – actual consumption up to 30 000 kWh per annum, national price range

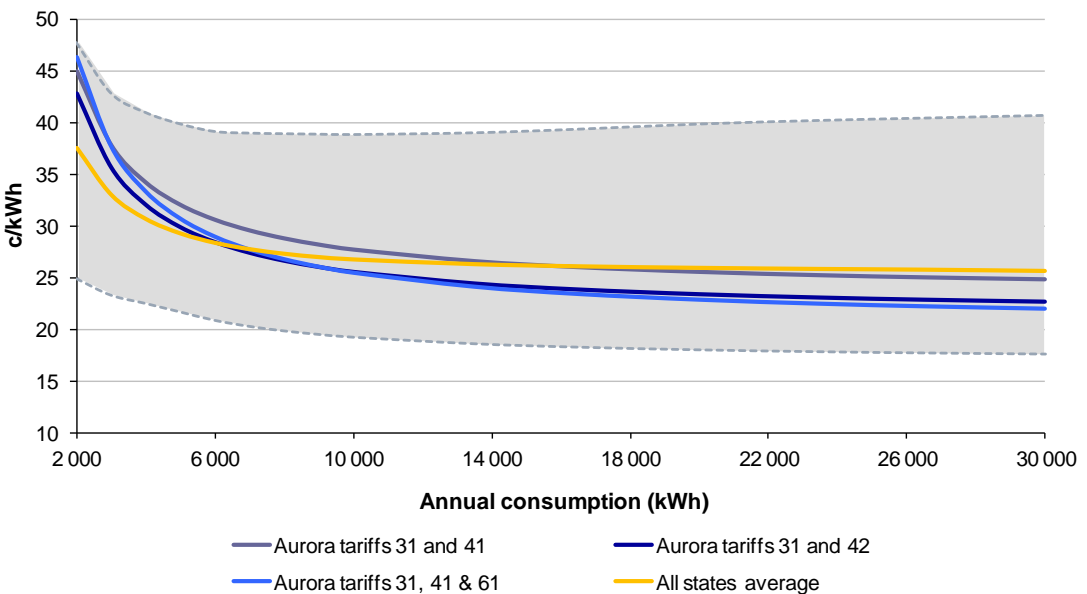


Figure 2.2 and Figure 2.3 illustrate that for Tasmanian residential tariff customers with low consumption, that is, at around 50 per cent of the Tasmanian State average consumption, the average cost for their electricity is between 30.7 cents per kWh and 32.9 cents per kWh, which is in the mid range experienced across Australia. High consumption customers, at 200 per cent of the Tasmanian State average consumption, pay an average cost of between 23.1 cents per kWh and 25.8 cents per kWh, which is also in the mid range of prices experienced across Australia.

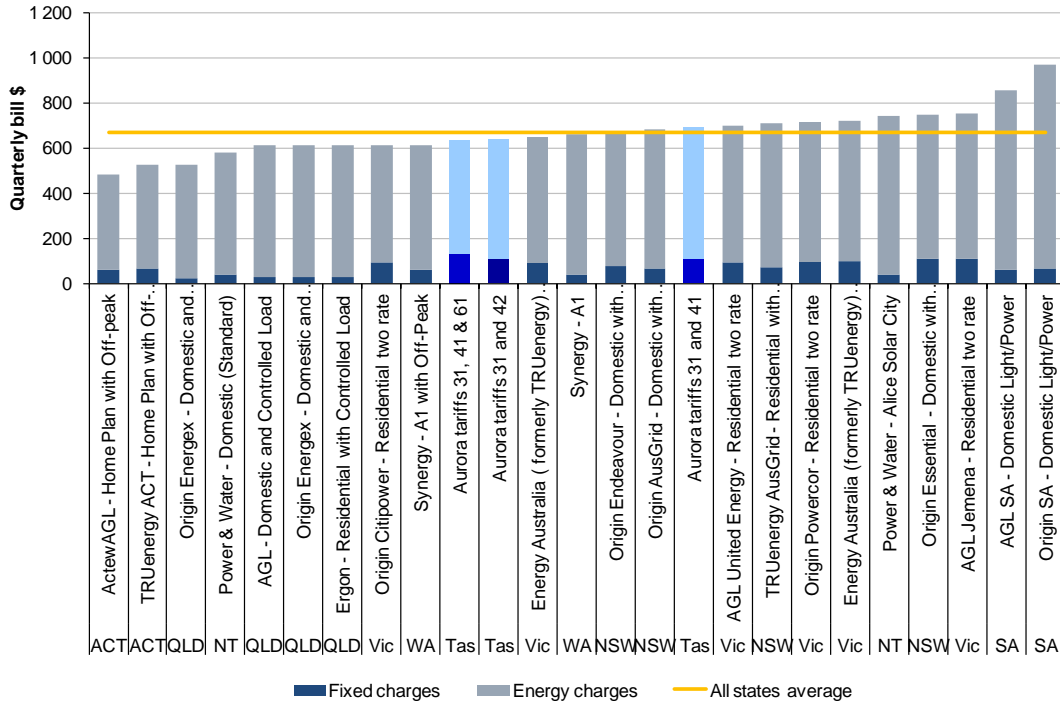
Figure 2.3 demonstrates that at consumption levels below 5 000 kWh per annum (very low consumption), Tasmanian residential electricity costs are above the national average (around five to nineteen per cent higher). The January 2012 comparison report observed a similar gap between Tasmanian prices and the national average, although the separation between the two prices started at a higher consumption level, around 10 000 kWh per annum. The subsequent July 2012 price increases narrowed the gap between Tasmanian electricity prices and the national average at low to average household consumption.

At high consumption levels above 10 000 kWh per annum, Tasmanian electricity costs are comparable to the national average. For the typical Tasmanian customer, whose consumption is around 9 055 kWh per annum, electricity costs are around 25.4 and 27.7 cents per kWh, compared to the national average of 26.7 cents per kWh. However, this is largely dependent on the consumption split between tariffs.

The considerably lower increase in Tasmanian electricity prices compared to other states on 1 July 2012 resulted in Tasmanian energy costs moving below the national average cost at high consumption levels. Prices for the tariffs 31 and 41 combination (40:60 split) have moved to or below, the national average, even at high consumption levels, while prices for the tariffs 31 and 42 combination (40:60 split) remain below the national average at consumption levels above 10 000 kWh per annum.

Figure 2.4 shows the calculated quarterly bill for selected tariffs from 1 February 2013, for a typical customer consuming 10 000 kWh per annum.

Figure 2.4: Quarterly bill amount from 1 February 2013 – fixed and variable (consumption-related) charges at 10 000 kWh per annum



Households in Tasmania with a typical level of consumption (10 000 kWh per annum), are paying from \$30 less to \$25 more per quarter than the national average, depending on their tariff combination. Customers in the Australian Capital Territory, Victoria and Queensland enjoy amongst the lowest quarterly electricity bills at this level of consumption. In Tasmania, the fixed charge component of a customer’s electricity bill at 10 000 kWh per annum is around 18 per cent of the total charges while in other states, the fixed charge component is around ten per cent.

2.1.1.1 Concessions

There are a range of concession schemes available around Australia that reduce electricity charges for pensioners and other concession card holders. From 1 July 2012, Tasmanian Pensioner Concession Card and Health Care Card holders received a rebate of 123.5 cents per day for the fixed charge component of Tariff 31.⁷ This equates to a concession of \$450.78 per annum, which is one of the most generous concessions available in Australia. Eligibility for concessions is generally broader in Tasmania than in other states, with around one in three residential customers receiving the concession. A summary of the concessions available in each state and territory is provided in Table 3 of Appendix 1.

Figure 2.5 and Figure 2.6 demonstrate the range of major retailers’ standing offer prices available to residential customers across Australia, taking account of any concessions as at 1 July 2012.

⁷ Tasmanian concessions are indexed by the average percentage increase in the retail tariffs for the relevant period.

Figure 2.5 normalises consumption on the basis of percentage of state average residential consumption, while Figure 2.6 shows annual consumption on a per kWh basis.

Figure 2.5: Average residential concession cost per kWh from 1 February 2013 – normalised consumption

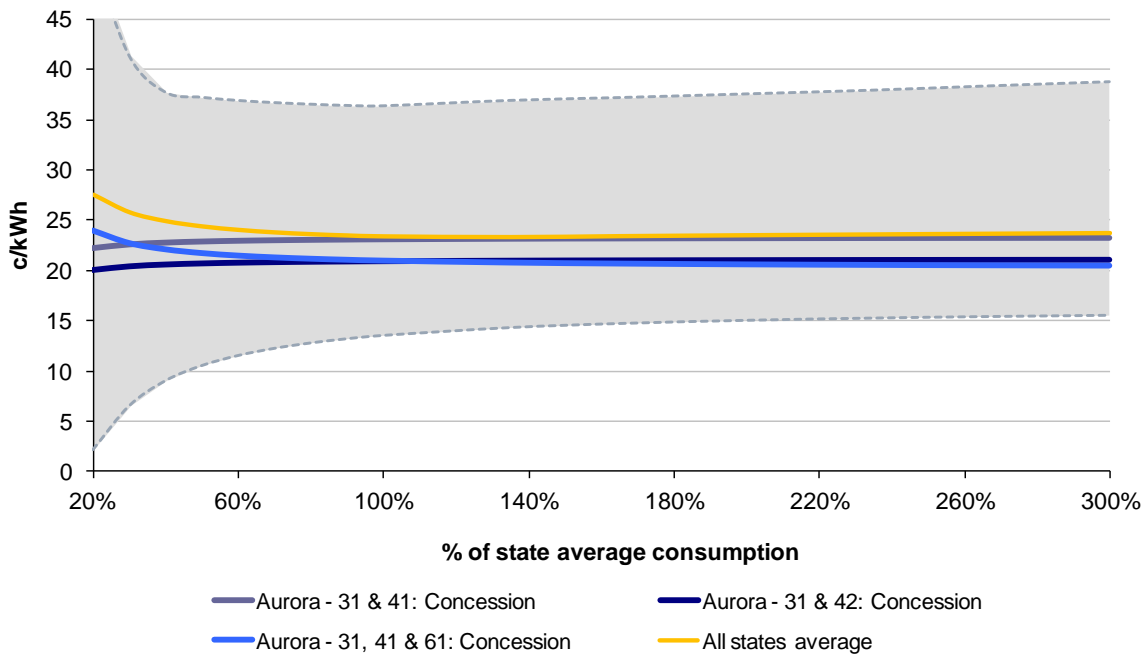


Figure 2.6: Average residential concession cost per kWh from 1 February 2013 – actual consumption, up to 30 000 kWh per annum

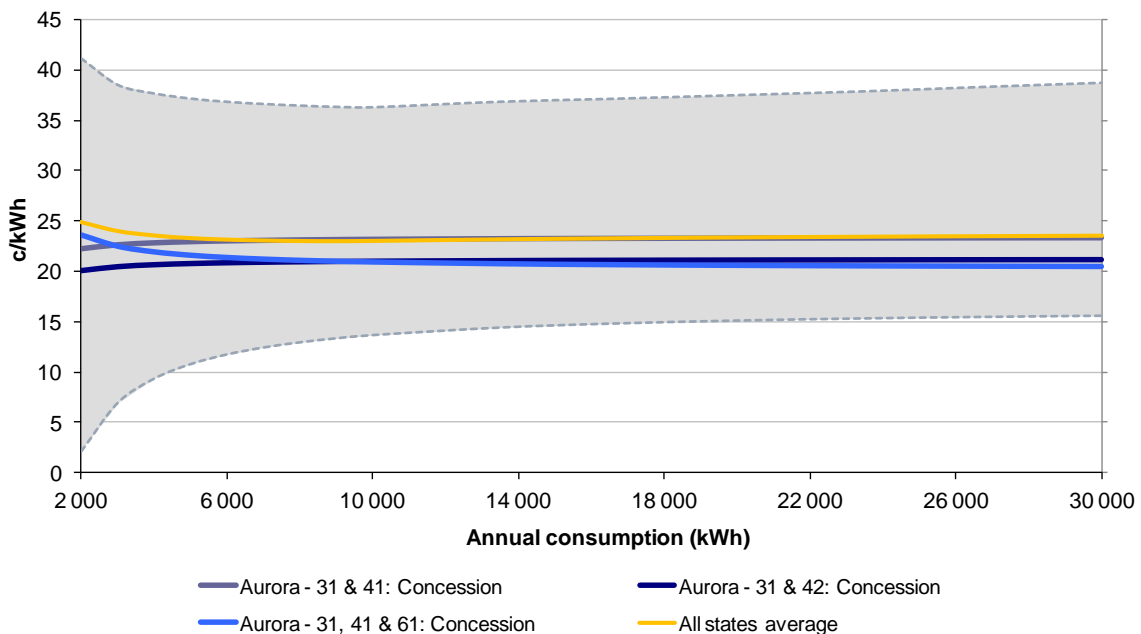


Figure 2.5 and Figure 2.6 illustrate the effect the Tasmanian concession has on reducing the impact of the fixed charge component of the tariffs, thereby flattening the curve at the low end of consumption and reducing prices. As such, Tasmanian concession customers experience electricity costs that are in the mid-range across

Australia at consumption levels that are 50 to 200 per cent of state average consumption. On average, Tasmanian concession customers pay between one and two cents less per kWh than customers in other states and territories. For Tasmanian concession customers on the HydroHeat tariff (Tariff 41 & 42) that use proportionately more electricity on this tariff than the light and power tariff (Tariff 31), energy costs are up to four cents less per kWh than the national average across typical consumption levels.

Concession customers in the Northern Territory and the Australian Capital Territory enjoy the lowest average electricity prices. For Tasmanian concession customers with average annual consumption, the concession lowers the average price to between 20.9 and 23.1 cents per kWh.

2.2 Business

2.2.1 Interstate comparisons

It is difficult to compare prices for business customers⁸ because of the different stages of contestability (and hence access to price information) between states. All business customers are now contestable in New South Wales, Victoria, South Australia and the Australian Capital Territory but have standing offer tariffs and/or other arrangements in place. Queensland has adopted full retail contestability with some safety net tariffs remaining in place. In 2009, Victoria removed all price caps on retail electricity prices, although retailers are obliged to have standing offers.

Contestable customers may take supply under individual contracts with retailers rather than under published tariffs. There is no public disclosure of current contract prices. The Energy Supply Association of Australia (ESAA) has ceased to provide estimates of contestable prices due to the difficulty in obtaining contract prices. The following analysis has been undertaken using publicly available tariffs. However as noted, these may not represent the prices actually available under contracts.

The price curves developed for small business customers follow a similar methodology to that used for residential customers, with the following exceptions:

- consumption was not normalised across states, as there is less variability in the 'typical' business consumption between states, being more a result of the nature of commercial activity rather than local factors; and
- a consumption range was chosen that represents Tasmanian small business customers⁹, 1 MWh per annum to 150 MWh per annum.

Figure 2.7 and Figure 2.8 show the range of prices per unit of consumption (cents per kWh) for common business tariffs available in Australia (shaded) from 1 February 2013, and indicates where Aurora Energy's general business tariff fits

⁸ Business customers who consume up to 150 MWh per annum.

⁹ Tasmanian business customers that consume more than 150MWh are contestable and cannot access regulated tariffs.

within that range. **Note that the scale begins at 10 cents per kWh in these two figures.**

Figure 2.8 focuses on customers at the low end of consumption to highlight the price curve and the impact of the fixed charge component of the tariffs. At higher consumption levels, the price per unit converges with the marginal energy rate.

Figure 2.7: Average business electricity prices per kWh as at 1 February 2013, national price range - consumption up to 150 MWh per annum

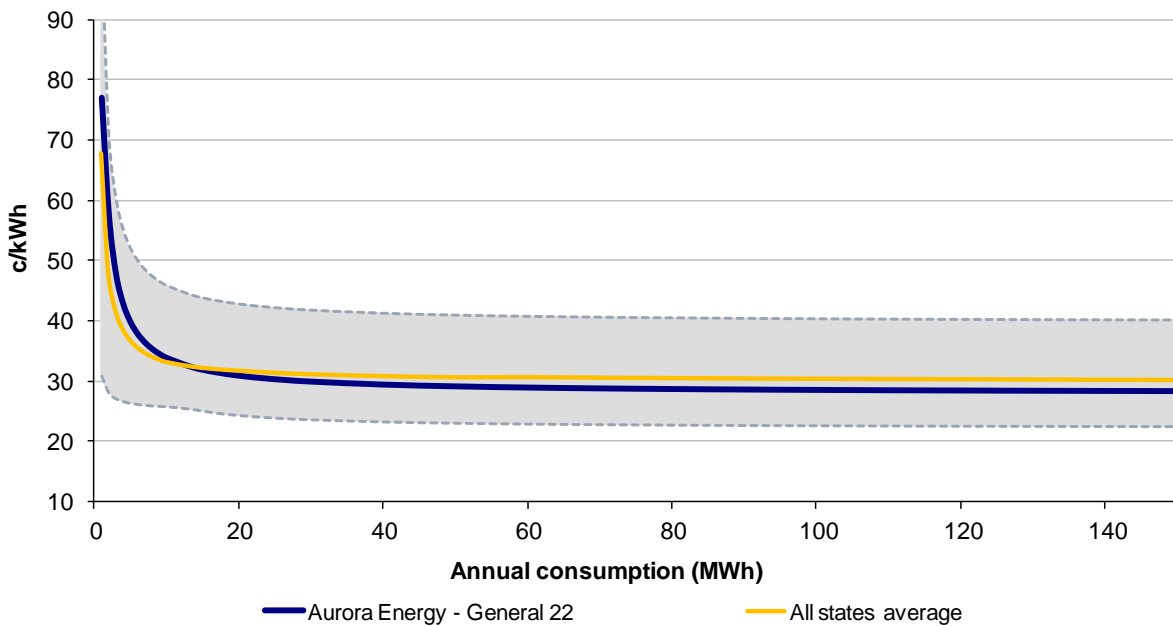


Figure 2.8: Average business electricity prices per kWh as at 1 February 2013, national price range – consumption up to 40 MWh per annum

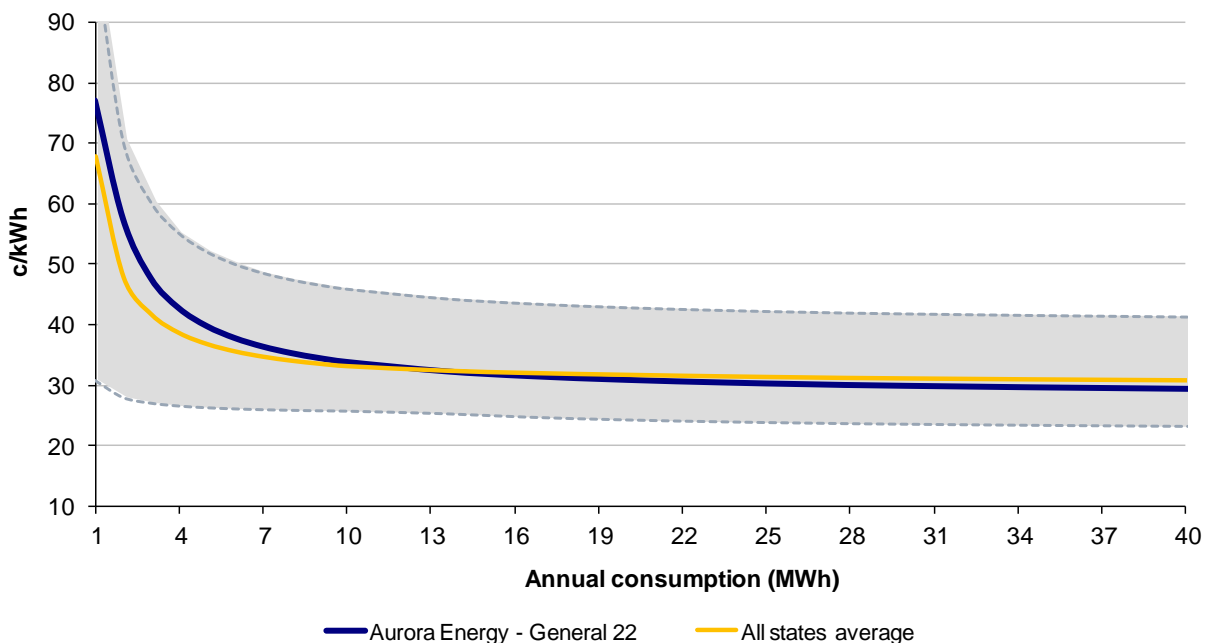


Figure 2.7 shows that at consumption levels between 50 and 150 MWh per year, Tasmanian business customers will pay between 26.2 and 25.5 cents per kWh, a rate that is in the mid-range of prices available nationally. Business customers in the Northern Territory, Queensland and the Australian Capital Territory have access to some of the lowest business electricity prices across Australia.

Figure 2.8 illustrates that Tasmanian business customers consuming up to 5 MWh per annum (approximately \$500 per quarter) pay at the rate of around 40 cents per kWh. However, very few customers would have this low level of consumption. Business customers that consume between 20 MWh per annum (approximately \$1 540 per quarter) and 40 MWh per annum (approximately \$2 930 per quarter) pay prices between 29 cents per kWh and 31 cents per kWh, which is one to three per cent lower than the average price available across Australia. At higher consumption levels, business customers that have an annual electricity usage of at least 60 MWh pay a rate that is competitive with prices available nationally.

2.2.2 Tasmanian business tariff comparisons

This section examines prices for Tasmanian business customers on the range of available regulated business tariffs. On 1 July 2012 Tasmanian business tariffs (including low voltage demand tariffs) increased by around 11 per cent.

Tasmanian business customers with electricity consumption above 50 MWh a year have been contestable since 1 July 2011. That is, those customers whose electricity bills are between around \$10 000 and \$40 000 a year, are able to negotiate a market contract with their chosen electricity retailer. This includes businesses such as bakeries, take-away food outlets, large restaurants, mechanical workshops and medium-sized offices. Unlike other contestable business customers, these customers are still able to access tariffs regulated by the Tasmanian Economic Regulator.

Figure 2.9 and Figure 2.10 show comparative price curves for business tariffs available in Tasmania by showing the range of prices per consumption unit (cents per kWh) of Aurora's Tariff 22 (business general supply) compared to Tariff 82 (industrial low-voltage demand) at various load factors.

The load factor is the ratio of average demand to peak demand, calculated as:

$$\frac{\text{energy (kWh)}}{\text{peak load (kW) x period (hours)}}$$

A low load factor means that there is occasionally high peak demand. To service that peak, capacity sits idle for long periods of time and thus imposes higher costs. A high load factor indicates that power usage is constant, resulting in lower costs, relative to a low load factor at the same consumption level.

Figure 2.9 shows consumption up to 50 MWh per annum to accentuate the price curve at low consumption levels. Figure 2.10 shows the price curves for consumption up to 150 MWh per annum.

Figure 2.9: Comparison of Tasmanian business tariff offerings, consumption up to 50 MWh per annum, as at 1 July 2102

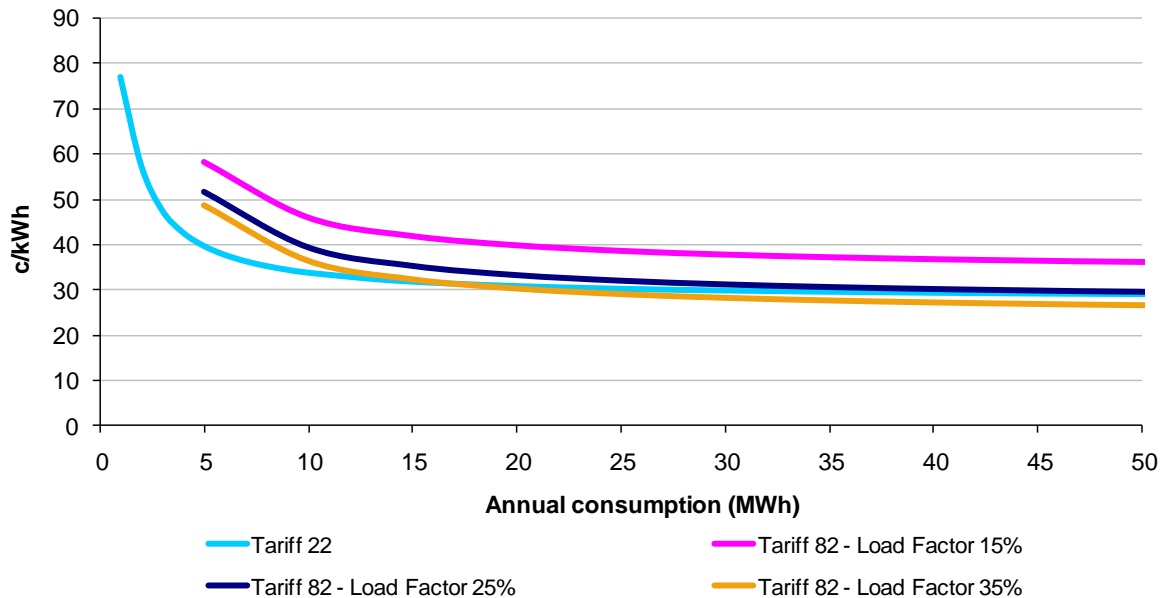


Figure 2.9 illustrates that for annual consumption less than 20 MWh, Tasmanian business customers experience a lower cost per consumption unit on Tariff 22 than on Tariff 82 at load factors ranging from 15 to 35 per cent. For consumption over 20 MWh per annum, the price per unit of consumption for Tariff 22 is lower than Tariff 82 at a load factor of 15 per cent.

Figure 2.10: Comparison of Tasmanian business tariff offerings, consumption up to 150 MWh per annum, as at 1 July 2012

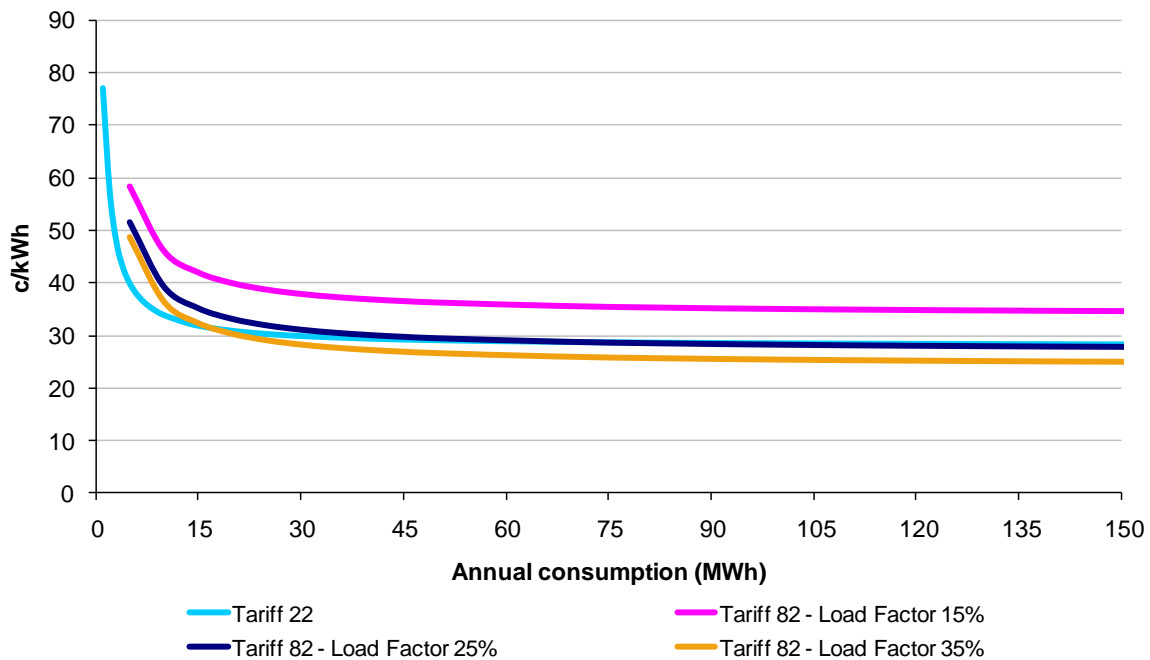


Figure 2.10 shows that business customers on Tariff 82 with a low load factor of 15 to 25 per cent, pay higher prices than those on Tariff 22, for consumption up to 40 MWh per annum. At higher consumption levels, business customers will pay a lower price per unit of energy consumed on Tariff 82 if their load factor is 25 per cent or higher.

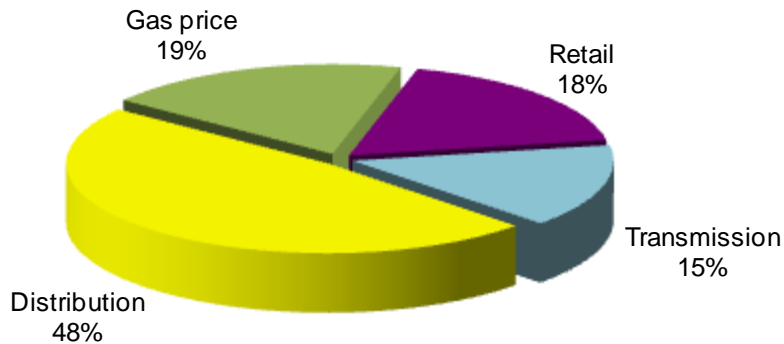
This indicates that business customers with constant power usage (load factor above 25 per cent) may save up to 5 cents per kWh on a low voltage demand tariff compared to the general tariff, depending on consumption. At lower load factors (less than 25 per cent), business customers pay around 5.5 cents less per MWh on Tariff 22 than those on a low voltage demand tariff (Tariff 82).

These observations are unchanged from the comparisons made in January 2012 due to the fact that all business tariffs were increased by the same rate on 1 July 2012.

3 NATURAL GAS

For the average customer on a reticulated natural gas retail tariff, the breakdown of costs is approximately 19 per cent for the cost of the energy (gas price), 15 per cent for transmission of the gas, 48 per cent for gas distribution and 18 per cent for the gas retail service. These numbers are approximate and differ for each tariff, but give a reasonable indication of the impact that each part of the industry has on the customer's final bill.

Figure 3.1: Price components of a typical natural gas bill



The gross retail margin for Tasmanian natural gas retailers of 18 per cent includes the 'cost to serve' component incurred by the retailer. The Tasmanian net retail margin appears to be similar to the net retail margin in Victoria.

The following comparisons use gas tariffs and standing offers available across Australia from 1 July 2012. The tariffs used in the comparisons are outlined in Appendix 2.

3.1 Residential

3.1.1 Interstate comparisons

Meaningful comparisons between interstate prices require consideration of the many factors that characterise each market. The prices in each state reflect local cost structures, the balance between natural gas and electricity usage, and the differing weights placed on fixed (daily charges) and variable (consumption-related) charges.

Key factors impacting on comparisons of Tasmanian and mainland prices include:

- Most mainland companies offer peak and off-peak consumption rates reflecting the fact that those systems are capacity restrained. The two gas retailers operating in Tasmania currently do not have peak and off-peak pricing policies.
- The Tasmanian gas industry is still in its infancy and currently has a small customer base relative to the gas industry in mainland states and territories.

- State to state consumption levels vary widely. This is a result of many factors including climate and the balance between electricity and natural gas usage.

Currently the Tasmanian market for natural gas is small, though popularity is growing. Since 2005-06, the number of natural gas customers in Tasmania has increased steadily, with an estimated 10 550 customers as at July 2012. Amongst this small customer base, residential customers' average consumption levels are anticipated to be around 40 gigajoule (GJ) per annum. This level of consumption is in the mid-range of most mainland states, being greater than Queensland and Western Australia and considerably less than Victoria and the Australian Capital Territory (ACT), which both have higher natural gas usage due to climate conditions and the balance between electricity and gas usage. As with electricity, there are variations in average residential natural gas consumption levels between states. The typical residential consumption levels used in the comparisons are outlined in Appendix 2.

A similar approach to that used for the electricity price curves has been used for gas comparisons between states. Under this approach, consumption has been normalised to allow comparisons between similar households.

Figure 3.2 and Figure 3.3 show the range of prices per unit of consumption (cents per megajoule (MJ))¹⁰ for common residential tariffs available in Australia (shaded) from 1 July 2012 with Tasmania's two active gas retailers separately identified. Figure 3.2 normalises consumption on the basis of percentage of state average residential consumption, while Figure 3.3 shows annual consumption on a per MJ basis, up to 90 gigajoules (GJ)¹¹ per annum. An overall average price per MJ (mathematic average of prices across all states) is identified in each figure.

¹⁰ 3.6 megajoules (MJ) is equivalent to 1 kWh.

¹¹ 1 gigajoule (GJ) is one thousand megajoules (MJ).

Figure 3.2: Average residential natural gas prices per MJ from 1 July 2012 – normalised consumption¹²

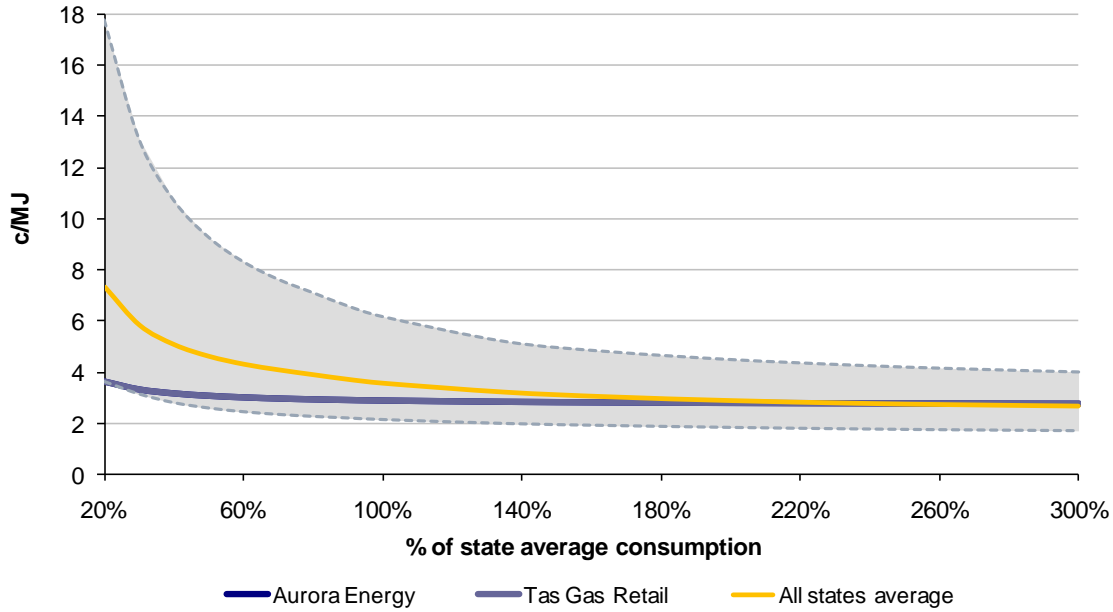


Figure 3.3: Average residential natural gas prices per MJ from 1 July 2012 – actual consumption¹²

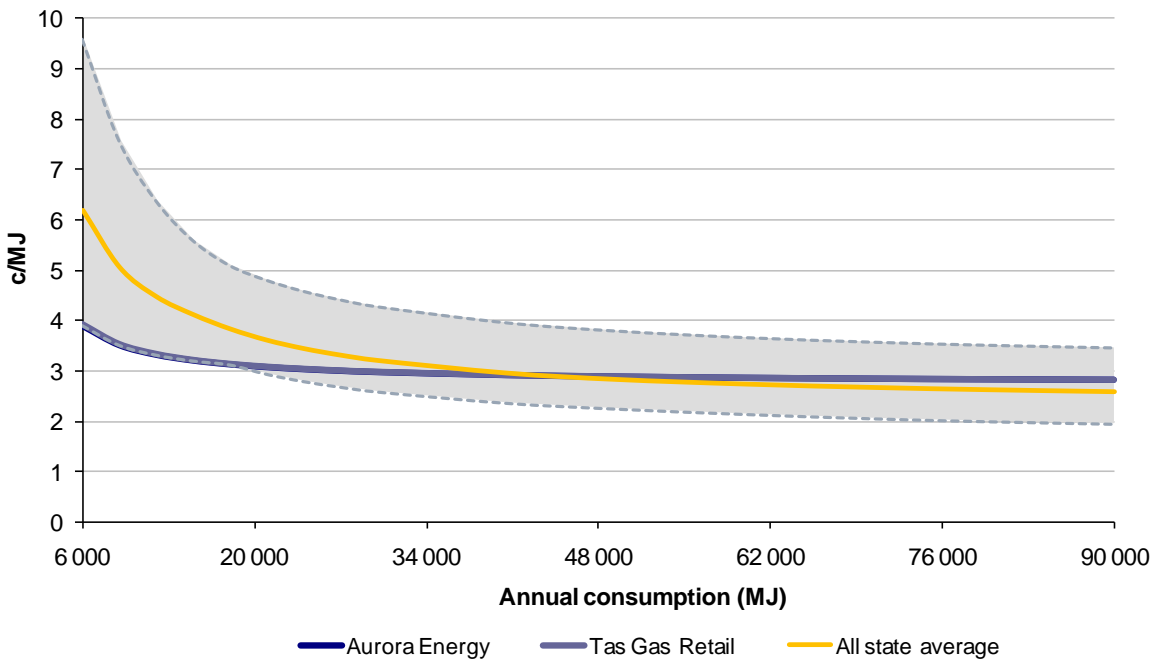


Figure 3.2 and Figure 3.3 both show that low consumption customers in Tasmania, at around 50 per cent of State average consumption, will pay around 3.1 cents per MJ. Tasmanian gas prices are below the national average at consumption levels

¹² Aurora Retail's and Tas Gas Retail's prices are practically identical and appear in Figures 3.2 and 3.3 as a single line.

up to 220 per cent of the State average, and very low consumption customers (up to 12 000 MJ per annum) pay prices that are amongst the lowest in the country. This is largely due to the lower fixed charges in Tasmania which are around 19 cents per day, compared to other states where fixed charges are typically around 60 cents per day.

High consumption customers, at 200 per cent of State average consumption, pay around 2.8 cents per MJ, which is around the national average at that level of consumption. However, in making this comparison, the following assumptions have been made:

- the tariffs chosen are representative of what consumers pay, and do not take into account any discounts or special deals that may be obtainable (particularly dual fuel deals);
- the majority of customers consume close to the typical consumption level; and
- the split between peak and off-peak consumption has been accurately estimated. (It is important to note that electricity peak and off-peak vary by time of day, whilst for natural gas, peak and off-peak is based on the time of year.)

With these assumptions in mind, it is still apparent that Tasmania is paying in the low to mid range of natural gas prices across Australia. This remains unchanged from observations made in the January 2012 comparison report. Victoria is the only state to offer lower prices per MJ of natural gas consumed, whilst Queensland, Western Australian and South Australian customers all pay higher prices for natural gas under this model.

3.2 Business

3.2.1 Interstate comparisons

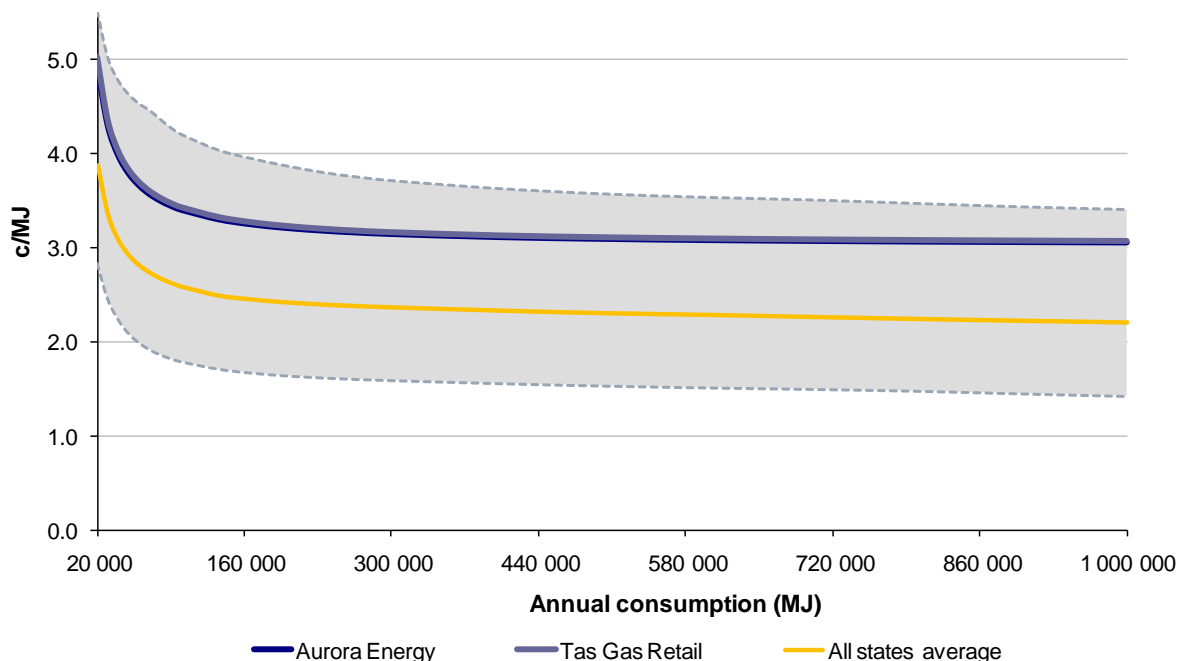
It is difficult to obtain comparative prices for business customers because of the differing competition arrangements (and hence access to price information) between states. All customers are now contestable in all states and territories with the exception of the Northern Territory. Victoria has removed all price caps on retail gas prices, though retailers are obliged to have standing offers in place. Natural gas retailing in Tasmania has been fully contestable from its inception.

The price curves developed for small business customers use a similar methodology to that used for residential customers, with the exception that consumption was not normalised across states as there is less variability in the 'typical' business consumption between states, being more a result of the nature of the commercial activity than local factors.

Figure 3.4 and Figure 3.5 show the range of prices per unit of consumption (cents per MJ) for common business tariffs available in Australia (shaded) from 1 July 2012. An overall average price per MJ (mathematic average of prices across all states) is identified in each figure.

Figure 3.5 concentrates on the low end of consumption to highlight the price curve and the impact of the fixed charge component of the tariffs. At higher consumption levels, the price per unit converges with the marginal energy rate.

Figure 3.4: Average business natural gas prices per MJ from 1 July 2012¹³



¹³ Aurora Retail and Tas Gas Retail prices are practically identical and appear in the chart as a single line.

Figure 3.5: Average business natural gas prices per MJ from 1 July 2012 - consumption up to 200 000 MJ per annum

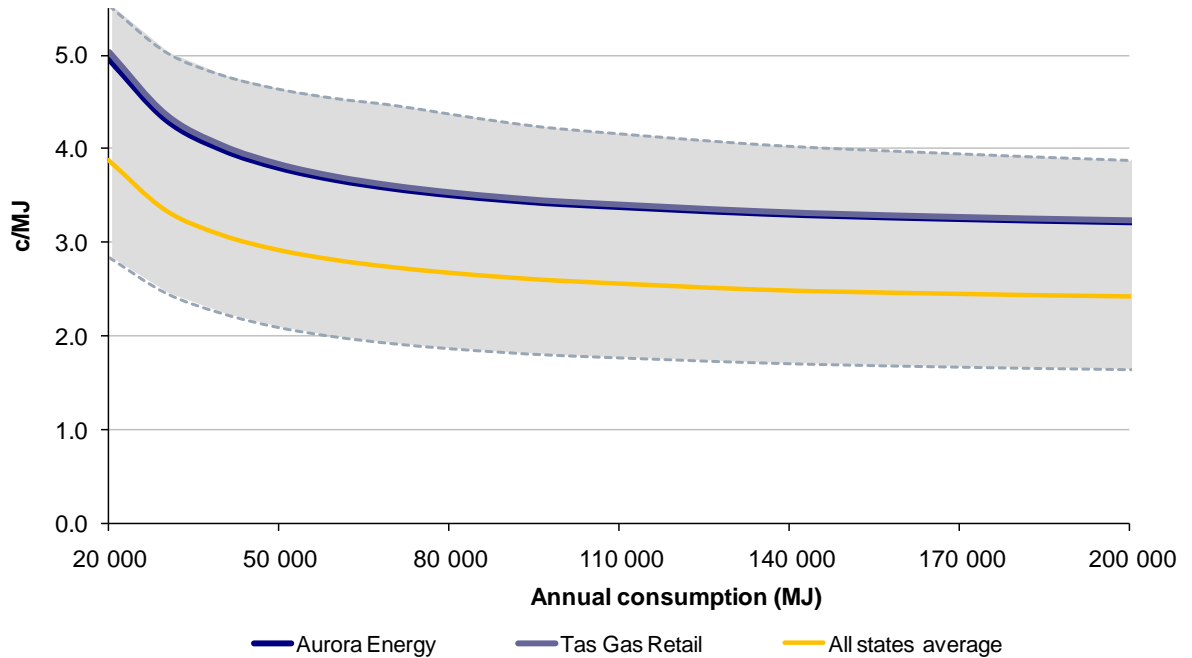


Figure 3.4 and Figure 3.5 show that for low consumption Tasmanian natural gas business customers (around 50 000 MJ per annum), prices are about 3.8 cents per MJ. Across the rest of Australia, prices at this level of consumption are around 2.8 cents per MJ.

High consumption business customers, using around 200 GJ per annum, pay rates around 3.2 cents per MJ. In other states, prices are around one cent per MJ cheaper, on average 2.3 cents per MJ at this level of consumption. Overall, Tasmanian prices appear to be amongst the highest natural gas business rates available in Australia.

It appears that the recent modest price increases for Tasmanian natural gas business customers has resulted in Tasmanian prices moving from the highest overall, to second highest. However, there is still a significant difference between Tasmanian business prices and the average price across Australia. As with the residential natural gas rate, the business rate only increased by around five per cent on 1 July 2012 (volumetric rate only) while in other states and territories, prices increased by between six and 12 per cent.

APPENDIX 1 ELECTRICITY

Residential price comparison – data

For each state, residential tariffs were obtained from a selection of the standing offers of major retailers as listed in Table 1. Where there were a number of alternative tariffs available, the cheapest or most commonly used was chosen as being most representative for customers in that state.

Table 1: Available residential tariffs

State/Territory	Retailer	Tariffs used	Effective date
Tasmania	Aurora	31 Light and Power 41 Hot Water 42 HydroHeat 61 OffPeak	1 July 2012
Victoria	Origin Energy	Residential two rate	19 January 2013
	AGL	Residential two rate	1 February 2013
	Energy Australia (formerly TRUenergy)	Residential two rate	7 January 2013
New South Wales	Origin Energy	Domestic Controlled load	1 July 2012
	TRUenergy	Residential Controlled load	
ACT	ActewAGL	Home Plan with off peak	1 July 2012
	TRUenergy	Home Plan with off peak	
Queensland	AGL	Domestic Controlled Load	1 July 2012
	Ergon	11 Residential 31 Controlled Load (hot water)	
	Origin	11 Domestic Controlled Load 1 Controlled Load 2	
South Australia	AGL	110 Domestic Light/Power	1 February 2013
	Origin Energy	110 Domestic Light/Power	
Western Australia	Synergy/Horizon	A1 (standard) B1 (hot water)	1 July 2012
Northern Territory	NT Power & Water	Domestic (standard) Alice Solar City	1 July 2012

Typical consumption levels for each state, as shown in Table 2, were obtained from the ESAA.¹⁴ Tariff combinations, including consumption ratios, were obtained from a variety of sources as shown.

Three tariff combinations were chosen for Tasmania. These combinations account for approximately 90 per cent of residential customers in Tasmania.

In its *Energy retailers comparative performance report – pricing 2009-10*, December 2010, the Essential Services Commission (ESC) observed that a typical Victorian customer on a two-rate residential tariff will have a typical usage pattern of 4 000 kWh peak and 2 500 kWh off-peak consumption per year. This is typical of a customer with no gas supply that has electric hot water or heating that heats over night during the off peak time.

For New South Wales, three typical tariff combinations were drawn from an IPART fact sheet on electricity price increases.¹⁵

For the Australian Capital Territory, the tariff combination was drawn from an ActewAGL pricing strategy statement submitted to the Independent Competition and Regulatory Commission (ICRC).¹⁶

Queensland tariff combinations were drawn from the Integral Energy price fact sheet.¹⁷

In South Australia, advice was received from the Essential Services Commission of South Australia (ESCOSA) as to the typical tariff combinations and consumption split.

In Western Australia, tariff combinations were drawn from a report by Frontier Economics for the Western Australian Office of Energy¹⁸

In the Northern Territory, no off-peak or similar alternative tariff is available.

¹⁴ ESAA, *Energy Gas Australia 2011*, 2011

¹⁵ IPART *Fact Sheet – Final Report - Regulated electricity retail tariffs for 1 July 2010 to 30 June 2013*, March 2010

¹⁶ ActewAGL, *Pricing Strategy Statement 2004/05 – 2008/09*, May 2004

¹⁷ Integral Energy Price Fact Sheet, July 2010

¹⁸ Frontier Economics, *Final recommendations - Electricity Retail Market Review – Electricity Tariffs*, January 2009

Table 2: Typical consumption levels and tariff consumption split

State/Territory	Typical consumption kWh pa	Tariff consumption split	Source (consumption split)
Tasmania	9 055	Tariff 31 & 41 – 60:40 Tariff 31 & 42 – 40:60 Tariff 31, 41 & 61 – 40:30:30	Office of the Tasmanian Energy Regulator – Typical Electricity Customers Information Paper 2010
Victoria	6 500	Standard & Off-Peak – 62:38	ESC Energy retailers comparative performance report – pricing 2009-10
New South Wales	6 975	Standard & Controlled Load/Off-Peak – 82:18	IPART Fact Sheet – Electricity prices to increase for residential and small businesses
ACT	6 975	Standard & Off-Peak – 60:40	ICRC and ACTEWAGL Pricing Strategy Statement
Queensland	7 820	Tariff 11 & 31 – 75:25	Integral Energy Price Fact Sheet – Typical Customers
South Australia	6 285	Standard – 75:25 (Summer:Winter) Standard & Off-Peak – 65:35	ESCOSA
Western Australia	6 000	Standard – 100 Standard & Off-Peak – 75:25	Western Australian Office of Energy - Review of Electricity Tariff Arrangements, January 2009
Northern Territory	9 580	Standard – 100 (no Off-Peak)	N/A

Price curves illustrating concession prices include the concessions outlined in Table 3.

Table 3: Summary of concessions available by state/territory

State/Territory	Concession available
Tasmania	123.50 cents per day, all year round (from 1 July 2012) up to a maximum of \$450.78 per annum.
Victoria	17.5 per cent discount all year round (from 1 July 2012). Concession does not apply to the first \$171.60 of the annual bill.
New South Wales	\$215 Low Income Household Rebate (2012-13). \$75 Family Energy Rebate. Maximum combined rebate is \$250 per annum.
ACT	Energy concession \$292.82 per annum. Utility concession \$82 additional rebate. Maximum combined rebate for 2012-13 is \$374.82
Queensland	Rebate of \$230.46 per annum.
South Australia	Energy concession of up to \$165 per annum.
Western Australia	Rebate ¹⁹ on supply charge of 41.5455 cents per day.
Northern Territory	\$1.19 per day off the fixed charge, 5.24 c/kWh off consumption charges, all year round

¹⁹ The supply charge rebate in Western Australia will be replaced with the Cost of Living Assistance payment from 1 October 2012, worth \$200 per annum.

Business price comparison – data

For each state, general business tariffs were obtained from a selection of major retailers as listed in Table 4. Where there were a number of alternative tariffs, the cheapest or most commonly used was chosen as being most representative for customers in that state.

Table 4: Business tariffs

State/Territory	Retailer	Tariffs used	Effective date
Tasmania	Aurora	22 General	1 July 2012
Victoria	Origin	Small business	19 January 2013
	AGL	Small business	1 February 2013
	Energy Australia (formerly TRUenergy)	Business anytime	1 January 2013
NSW	Origin Energy	Business General Supply	1 July 2012
		TRUenergy	
ACT	ActewAGL	Business	1 July 2012
Queensland	AGL	General 20 General 21	1 July 2012
		Ergon	
	Origin	General 20	
South Australia	AGL	General 126	1 February 2013
Western Australia	Synergy/Horizon	Business L1 Business fifty L3	1 July 2012
Northern Territory	Power and Water	Commercial	1 July 2012

Use of a standard typical business customer across all states and territories in making comparisons reflects that businesses will generally have similar consumption patterns and usage regardless of their location. This, therefore, gives an accurate comparison of differences in price range for each state and territory across a range of consumption levels.

APPENDIX 2 NATURAL GAS

Residential price comparison – data

For each state, residential tariffs were obtained from a selection of the major retailers as listed in Table 5. Where there were a number of alternative tariffs available, the cheapest or most commonly used was chosen as being most representative for customers in that state.

Table 5: Residential tariffs

State/Territory	Retailer	Tariffs used	Effective date
Tasmania	Aurora	Residential	1 July 2012
	Tas Gas Retail	Residential	
Victoria	AGL	SP AusNet Central 2 Envestra Central 1 Multinet Main 1 Multinet Main 2	1 July 2012
	Origin Energy	Envestra North Envestra Central 2 Multinet Main 1 Multinet Main 2 SP AusNet Central 2 SP AusNet Central 1	
	TRUenergy	SP AusNet Central 1 Envestra Central 2 Multinet 1 Multinet 2	
South Australia	AGL	Residential	1 July 2012
	Origin Energy	Metropolitan Adelaide Mount Gambier Port Pirie Riverland Whyalla	
New South Wales	AGL	Residential	1 July 2012
	Origin Energy	Jemena (AGL East) Envestra (Albury) Envestra (Murray Valley)	
	ActewAGL	Capital region Queanbeyan Shoalhaven	

State/Territory	Retailer	Tariffs used	Effective date
Queensland	AGL Sales (Queensland)	South East Queensland Brisbane and Ipswich	1 July 2012
	Origin Energy	Brisbane and Ipswich Northern South East Queensland	
ACT	ActewAGL	Residential	1 July 2012
Western Australia	Alinta	Coastal (Metro) Albany Kalgoorlie	1 July 2012 ²⁰
Northern Territory	No information available	No information available	

For tariffs with a combination of peak and off-peak usage, 65 per cent of usage was deemed peak usage whilst the remaining 35 per cent was regarded as off-peak.

Typical consumption levels were then either obtained or estimated as indicated in Table 6.

Table 6: Typical consumption levels

State/Territory	Typical consumption levels (GJ pa)	Source
Tasmania	40 GJ	Tas Gas
Victoria	60 GJ	ESC Victoria
South Australia	24 GJ	ESCOSA Issues Paper 2010
New South Wales	20 GJ	IPART Research Report 2010
Queensland	13 GJ	APA Group Queensland
ACT	48 GJ	ICRC Quick stats 2009-10
Western Australia	20 GJ	ESAA
Northern Territory	N/A	Information unavailable

²⁰ From 1 July 2012, Alinta (WA) gas bills include a 'Clean Energy Charge'.

Business price comparison – data

For each state, general business tariffs were obtained from a selection of major retailers as listed in Table 7. Where there were a number of alternative tariffs the most commonly used was chosen as being most representative for customers in that state.

Table 7: Business tariffs

State/Territory	Retailer	Tariffs used	Effective date
Tasmania	Aurora	Small business	1 July 2012
	Tas Gas	Commercial rate	
Victoria	AGL	Multinet Main 2 SP AusNet Central 1 SP AusNet Central 2	1 July 2012
	Origin Energy	Envestra North Envestra Central 1 SP AusNet Central 2 SP AusNet West SP AusNet Central 1 Murray Valley	
	TRUenergy	SP AusNet Central 1 Envestra Central 2 Multinet 2	
South Australia	AGL	Metro Mount Gambier Port Pirie Riverland and Murray Bridge Whyalla	1 July 2012
	Origin	Metropolitan Adelaide Mount Gambier Port Pirie Riverland Whyalla	
New South Wales	ActewAGL	Queanbeyan Capital Shoalhaven	1 July 2012
	AGL	Small business	
	Country Energy (now owned by Origin Energy)	Wagga Wagga and Uranquinty Tumut and Gundagai Henty, Culcairn, Hollbrook and Walla Walla Cooma and Bombala	
	Origin Energy	Albury Murray Valley	

State/Territory	Retailer	Tariffs used	Effective date
Queensland	AGL Sales (Queensland)	South East Queensland North Brisbane and Ipswich	1 July 2012
	Origin Energy	Brisbane North and Ipswich South East Queensland	
ACT	ActewAGL		1 July 2012
Western Australia	Alinta	Metro Albany Kalgoorlie	1 July 2012
Northern Territory	No information available	No information available	

The use of a standard typical business customer across all states and territories for price comparisons reflects that businesses will generally have similar consumption patterns and usage regardless of their location. This therefore gives an accurate comparison of differences in price range for each state and territory across a range of consumption levels.