

Comparison of Australian Standing Offer Energy Prices

August 2017

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Printed August 2017

ISBN 978-0-7246-5449-9

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Introduction

Twice a year, the Tasmanian Economic Regulator (Regulator) prepares a report¹ comparing Tasmanian standing offer (regulated) electricity prices, and gas prices, with standing offer prices in other Australian jurisdictions.

For this report, the Regulator used information from the *Typical Electricity Customers 2017 Report* (Typical Customers report) as a basis for the electricity comparisons. The Regulator changed its definition of a typical customer in the latest Typical Customer report, and this change prompted a review of the method used by the Regulator to conduct price comparisons in previous years. The Regulator has adopted slightly modified assumptions and a different presentation of information in this report as a result.

Aurora Energy published its 2017-18 regulated prices on 1 July 2017. The Regulator approved these prices according to a Treasurer's Notice², which required an assessment of the annual bill change for a typical electricity customer. The Regulator notes that, unlike in previous years, in 2017-18 the daily charges and usage charges for some of Aurora Energy's standing offer tariffs changed at different rates due to tariff rebalancing.

Comparing electricity prices across Australian jurisdictions is difficult as most Tasmanian customers are on Aurora Energy's regulated tariffs, whereas many retailers in other parts of Australia offer market based contracts for both residential and business customers. Indeed, the Regulator notes recent analysis by the Australian Energy Council suggesting that the percentage of customers on regulated tariffs could be as low as ten per cent in some jurisdictions³. Differences in electricity usage between Tasmania and other parts of Australia, due to climate and the availability of gas as a heating alternative, also make the comparison difficult.

Similarly, comparing gas prices is difficult as the Tasmanian gas market is relatively small with a limited network, whereas gas is often more accessible to customers in other parts of Australia. Unlike Tasmanian electricity prices, the unregulated prices offered by the two Tasmanian gas retailers, Tas Gas Retail and Aurora Energy, have remained unchanged since the February 2017 Price Comparison Report.

¹ in accordance with sections 10C(2)(a) and 10C(3) of the *Electricity Supply Industry Act 1995*

² Notice Issued under Section 40ABA(5)(d) of the *Electricity Supply Industry Act 1995*

³ <https://www.energycouncil.com.au/news/standing-offers-lower-in-competitive-electricity-markets-industry/>

Tasmanian electricity price changes

Since Aurora Energy's standing offer electricity prices changed recently, the Regulator has provided an assessment of this change on a typical customer with medium Tariff 31 - General light and power (T31) and Tariff 41 - heating and hot water (T41) usage. Consistent with the Treasurer's Notice, the change in the typical customer's annual bill, assuming medium T31 and T41 usage, does not exceed two per cent. Annual electricity usage figures (kWh) for typical customers using the T31 and T41 combination is shown in Table 1.

Table 1 Typical customer usage information

Typical Customer usage	low	medium	high
<i>T31 T41</i>			
T31	1 700	3 400	6 000
T41	1 800	4 100	7 400
<i>T31 T41 Concession</i>			
T31	1 700	2 900	5 100
T41	1 800	3 500	6 300

Aurora Energy's prices for T31 and T41, and the Government's concession discount rates for 2016-17 and 2017-18, are shown in Table 2.

Table 2 Price changes from 2016-17 to 2017-18

	Daily Charge (cents/day)	Usage Charge (cents/kWh)
<i>T31</i>		
2016-17	92.457	26.065
2017-18	92.736	25.900
Change	0.30%	-0.63%
<i>T41</i>		
2016-17	17.907	15.719
2017-18	17.292	16.819
Change	-3.4%	7.0%
<i>Concession discount</i>		
2016-17	-132.557	
2017-18	-135.208	
Change	2.0%	

While customers receive an electricity bill each quarter, the Regulator calculates typical customer electricity usage on an annual basis. Assuming typical customer usage with 2017-18 standing offer prices allows the Regulator to estimate the size of each component in a typical customer's 2017-18 annual electricity bill, as shown in Table 3.

Table 2 Typical customer components for 2017-18 annual bill (\$)

	Daily Charge	Low Usage Charge	Medium usage charge	High usage charge	Concession Discount
<i>T31 T41</i>					
T31	338	440	881	1 554	
T41	63	303	690	1 245	
<i>T31 T41 Concession</i>					
T31	338	440	751	1 321	- 494
T41	63	303	589	1 060	

Typical customers may split their total electricity usage in varying degrees between T31 and T41. The annual electricity charges for nine different possible usage patterns, combining daily charges and relevant usage charges, are summarised in Table 4.

Table 4 Summary of typical customer annual bill (\$) for 2017-18

				<i>T41 usage</i>		
<i>T31 usage</i>	Low		Medium		High	
Low	1 145		1 531		2 087	
Medium	1 585		1 972		2 527	
High	2 258		2 645		3 200	
				<i>T41 Concession usage</i>		
<i>T31 Concession usage</i>	Low		Medium		High	
Low	651		937		1 408	
Medium	962		1 248		1 719	
High	1 532		1 818		2 289	

Applying the same process and using the 2016-17 Tasmanian standing offer electricity prices as a base, the Regulator calculated the annual price changes at each of these nine usage levels, as shown in the Table 5.

Table 5 Summary of typical customer change in annual bill (2016-17 to 2017-18)

				<i>T41 usage</i>		
<i>T31 usage</i>	Low		Medium		High	
Low	1.40%		2.76%		3.85%	
Medium	0.82%		1.98%		3.04%	
High	0.39%		1.30%		2.25%	
				<i>T41 Concession usage</i>		
<i>T31 Concession usage</i>	Low		Medium		High	
Low	0.94%		2.72%		4.11%	
Medium	0.43%		1.86%		3.22%	
High	0.03%		1.07%		2.23%	

As the annual bill change for typical customers with medium usage for both T31 and T41 did not exceed two per cent, Aurora Energy's 2017-18 prices satisfied the criterion in the Treasurer's Notice relating to typical customer impacts.

Electricity price comparisons

Due to differences between electricity usage and the types of tariffs available across Australia, it is difficult to compare Tasmanian electricity prices directly with electricity prices available in other jurisdictions.

Table 6 shows the Australian Energy Regulator's (AER) benchmarked⁴ electricity usage across National Electricity Market (NEM) jurisdictions. While the Regulator's Typical Customer report considered concession status, it did not consider customer income. However, typical customers with a concession discount and medium usage for T31 and T41 coincidentally have almost same total usage as the AER benchmark for Tasmanians with low income. The Regulator has therefore used the AER's benchmarked usage levels in developing these price comparisons.

Table 6 AER benchmarked electricity usage (kWh)

	Annual usage (kWh)	
	<i>Low income</i>	<i>Middle to High income</i>
Queensland	4 100	5 800
New South Wales	4 300	5 900
Victoria	3 700	4 900
South Australia	3 700	5 100
Tasmania	6 500	8 800
Australian Capital Territory	5 600	7 500

Another consideration when conducting these price comparisons is that the type of electricity tariffs available vary across Australia. Electricity prices are regulated in Tasmania, Western Australia, the Northern Territory, parts of Queensland, and the Australian Capital Territory; however, there may also be market contracts available in some of these jurisdictions. There are no regulated electricity prices in New South Wales, Victoria, or South Australia, but retailers do have non-regulated standing offer tariffs which the Regulator uses for price comparison purposes. These non-regulated standing offer tariffs are generally not the retailers' cheapest products and, according to the AER⁵, most electricity customers in New South Wales, Victoria and South Australia are on market contracts. This suggests that the electricity prices most customers in New South Wales, Victoria and South Australia pay may be lower than the prices used for this comparison.

Unlike previous reports, which compared electricity prices across a range of usage rates and tariffs, this report only compares residential electricity prices for typical customers with medium T31 and T41 usage (with or without a concession discount), and business electricity prices for typical customers with medium usage. The changes to the Regulator's typical customer definition mean that the type of comparison used in previous reports is no longer applicable.

The report compares Tasmanian standing offer tariff prices against the closest equivalent standing offer tariff prices in each Australian jurisdiction. The Regulator emphasises that this does not result in a like-for-like comparison as not all jurisdictions have exact equivalents of Aurora Energy's tariffs. The outcomes of the comparisons shown in this report are therefore indicative only.

⁴https://www.aer.gov.au/system/files/201516%20AER%20Annual%20Report%20on%20the%20Performance%20of%20the%20Retail%20Energy%20Market_1.PDF

⁵<https://www.aer.gov.au/system/files/AER%20State%20of%20the%20Energy%20market%202017%20-%20A4.pdf>

Residential electricity price comparison

This comparison applied the general tariffs and heating tariffs (see Appendix 1) to the medium usage rates for T31 and T41 shown in Table 1. Chart 1 shows the relative annual electricity bills for a typical customer across the different Australian jurisdictions and electricity pricing areas. The grey component shows any increase in prices since the August 2016 comparison.

Chart 1 Residential electricity annual cost comparison

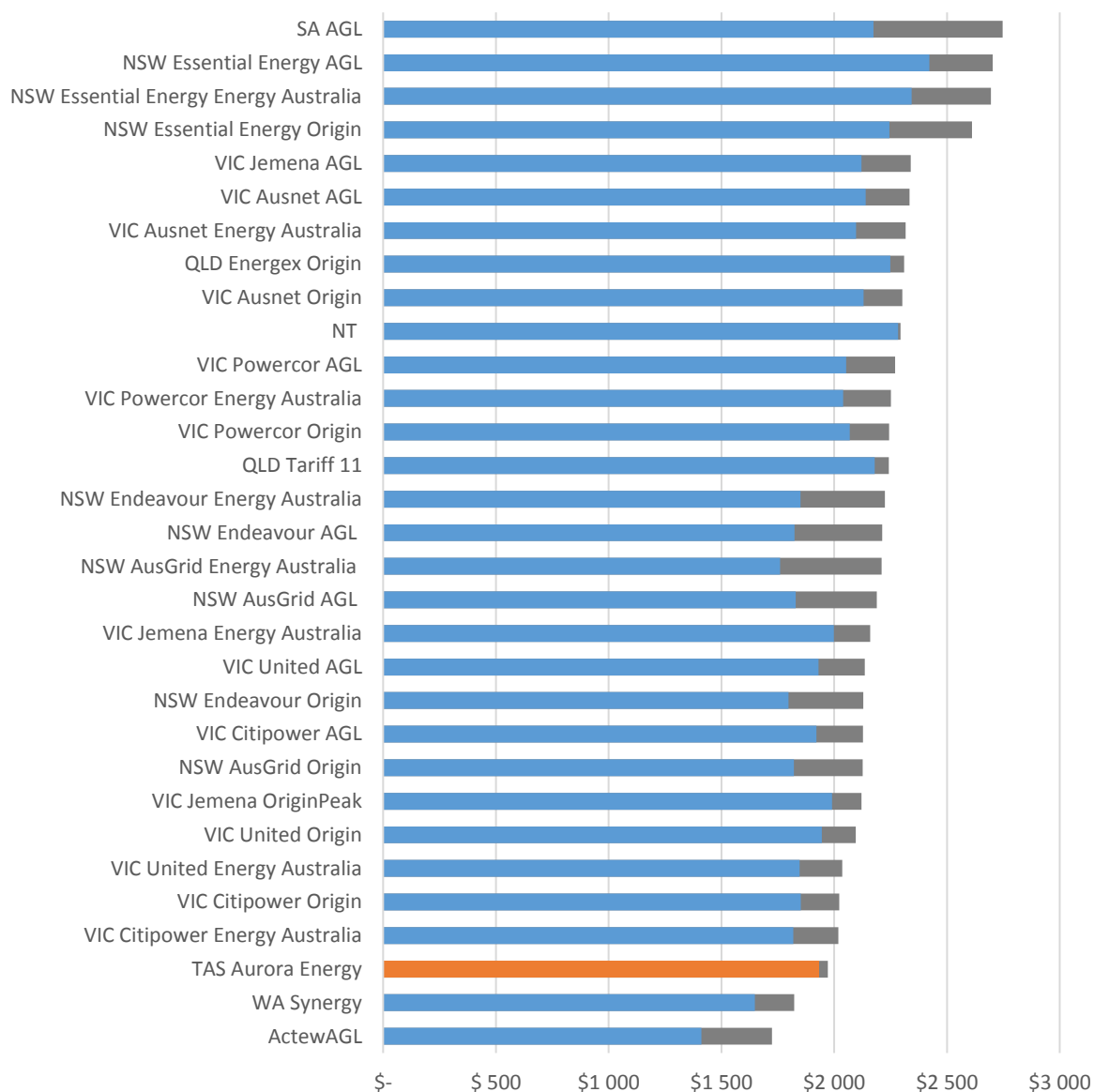


Chart 1 shows that typical electricity customers in the Australian Capital Territory have the lowest annual bills, while those in South Australia’s AGL pricing area have the highest annual bills. Annual bills for typical Tasmanian electricity customers are towards the lower end of the comparison range. However, the Regulator is aware that electricity customers in the more expensive jurisdictions according to this comparison, such as New South Wales and South Australia, have significantly lower electricity usage rates than a typical Tasmanian customer according to the AER (see Table 6). Moreover, as mentioned previously, many customers in these jurisdictions are likely to be on market contracts which may be cheaper than standing offer prices.

The Regulator notes large increases in electricity prices over the last year in several jurisdictions including New South Wales, Victoria, South Australia and the Australian Capital Territory.

The Regulator also compared the daily charges and usage charges for each jurisdictions’ regulated electricity tariff or, in case of jurisdictions with multiple unregulated tariffs, the median tariff. Chart 2 shows that for typical customers using both T31 and T41, Tasmanians pay among the highest daily charges in Australia. The Regulator notes, however, that given the relatively high electricity usage of a typical Tasmanian electricity customer (as shown in Table 6), daily charges comprise a relatively small percentage of a typical customer’s electricity bill. Chart 3 shows the usage charges for each kWh of electricity used. Tasmania’s usage charges for both T31 and T41 are towards the lower end of the usage charges compared here. This serves to offset the high daily charges paid by typical customers in Tasmania.

Chart 2 Residential electricity daily charges

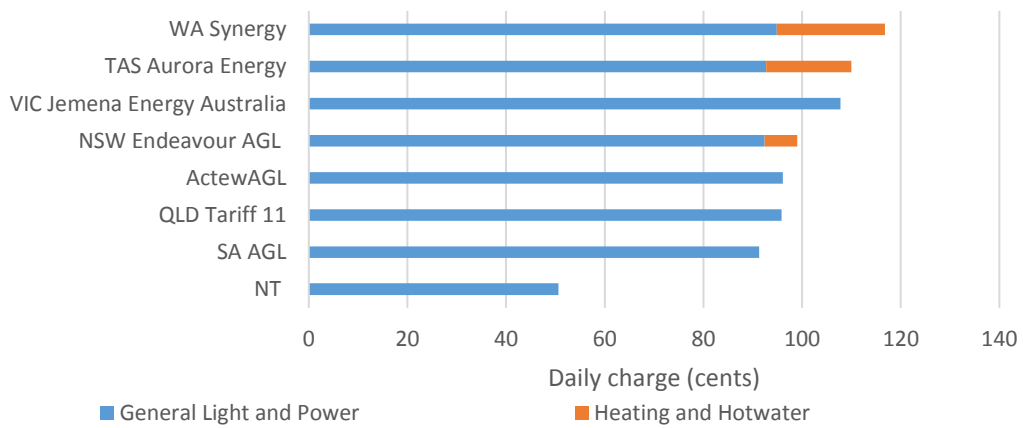
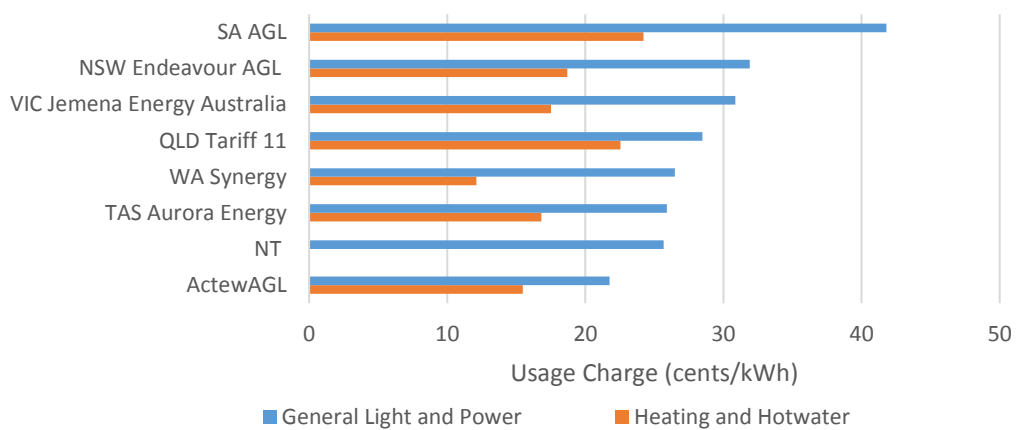


Chart 3 Residential electricity usage charges



Residential electricity with concession comparison

This comparison applied the general tariffs and heating tariffs (see Appendix 1) to the medium usage rates for T31 and T41, with the inclusion of the relevant concession discounts for each jurisdiction (see Appendix 3). Chart 4 shows the relative annual electricity bills for a typical customer with a concession discount across the different Australian jurisdictions and electricity pricing areas. The grey component shows any increase in prices since the August 2016 comparison.

Chart 4 Residential electricity annual cost comparison (with concession)

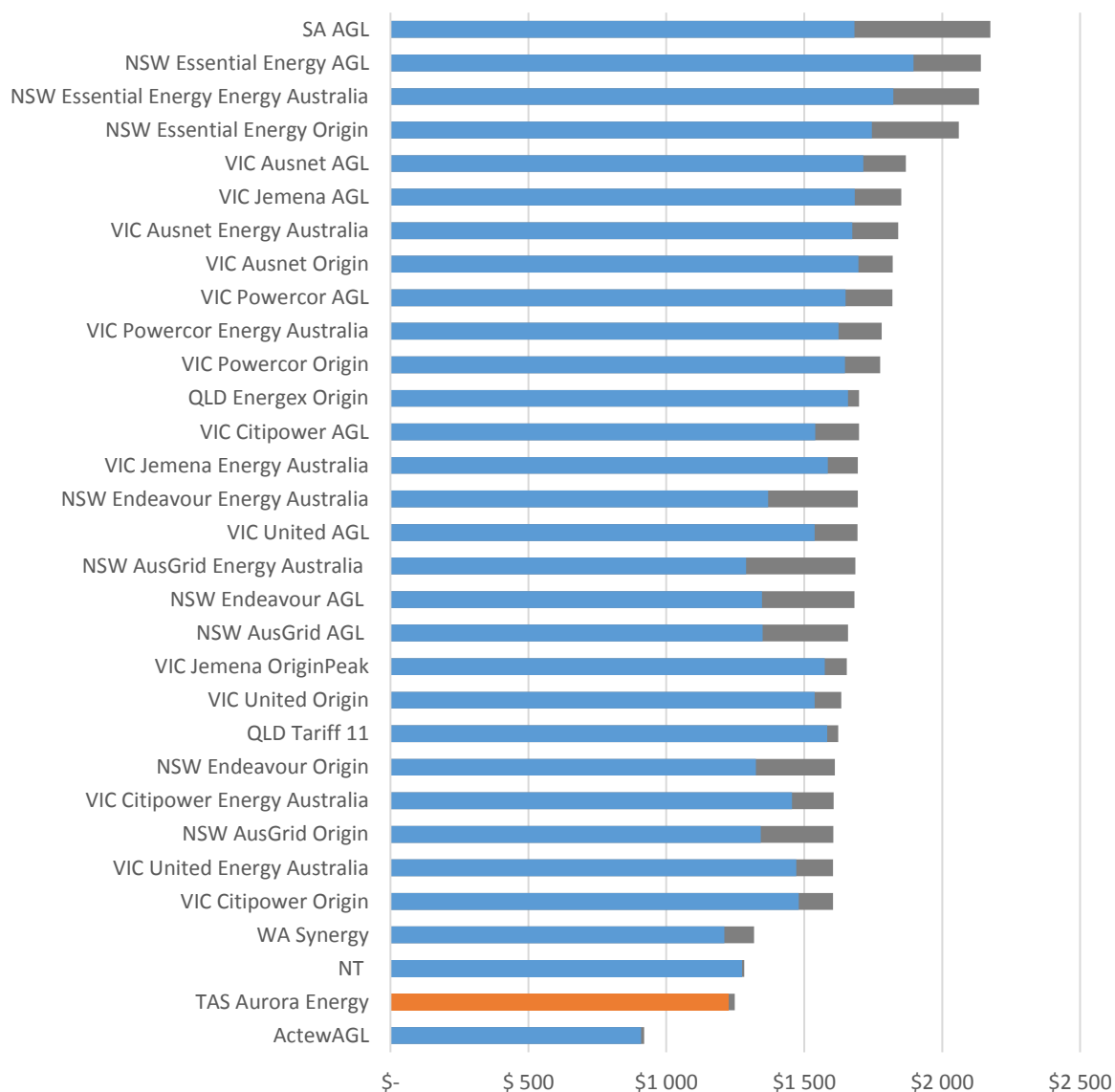


Chart 4 shows that typical Tasmanian electricity customers with concession discounts again pay annual bills in the lower end of the comparison range. Also, once again according to this comparison, electricity customers with concession discounts in the Australian Capital Territory pay the lowest annual bills while those in South Australia pay the highest annual bills. The Regulator notes that the current concession discount available in the Australian Capital Territory is a combined utilities discount that relates to electricity, gas, water and sewerage costs. However, the implementation of this discount occurs through customers’ electricity bills. The Regulator therefore applied the entirety of the discount to the comparison shown in Chart 4, resulting in lower outcomes for Australian Capital Territory customers.

Business electricity comparison

This comparison applied the general business tariffs (see Appendix 1) to the medium usage for T22 customers as defined in the Regulator’s Typical Customers report (6 700 kWh per year). Chart 5 shows the relative annual electricity bills for a typical business customer across the different Australian jurisdictions and electricity pricing areas. The grey component shows any increase in prices since the August 2016 comparison; the white component of the Aurora Energy bar indicates a price decrease.

Chart 5 Business electricity annual cost comparison

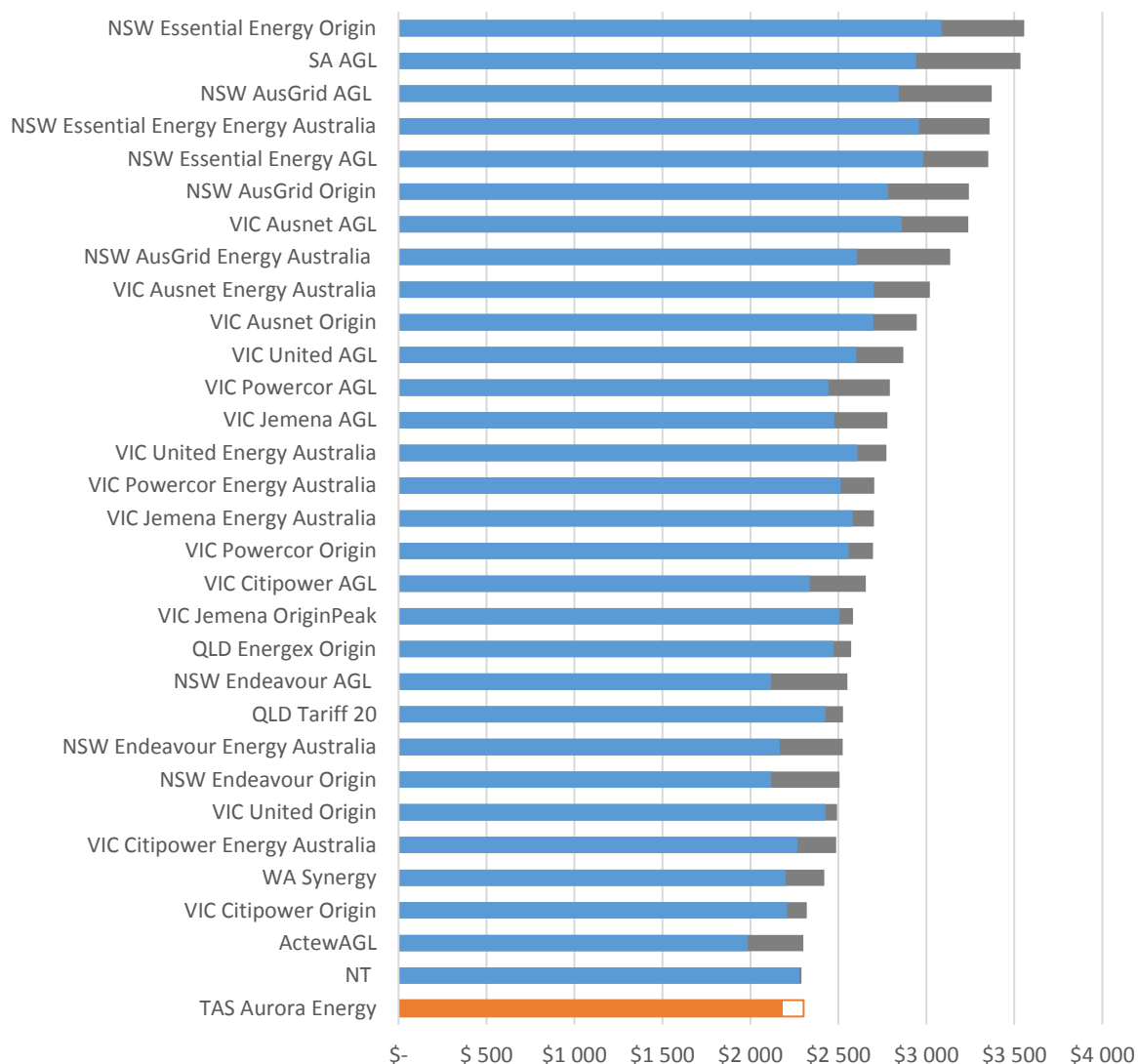


Chart 5 shows that, following a relative decrease in annual bills since the previous year, typical business electricity customers in Tasmania currently have the lowest annual bills of any Australian jurisdiction. Business electricity customers in the New South Wales Essential Energy/Origin region have the highest annual bills. The Regulator notes again though that many business electricity customers in other jurisdictions are likely to be on market contracts rather than standing offer prices.

The Regulator also compared the daily charges and usage charges for each jurisdictions’ regulated business electricity tariff or, in case of jurisdictions with multiple unregulated tariffs, the median tariff. Chart 6 shows that for typical business customers using T22, Tasmanians pay relatively low daily charges compared to other jurisdictions. Chart 7 shows the usage charges for each kWh of electricity used.

Tasmania’s usage charges for T22 fall towards the low end of the usage charges compared here. The Regulator notes that in Tasmania, Western Australia and the Australian Capital Territory, the standing offer electricity tariff for business customers includes two usage steps; all usage up to a certain limit is charged at one rate, and all subsequent usage is charged at a second rate. The difference between these two rates is shown by the blue and orange bars in Chart 7. Usage limits relevant to this comparison are 500 kWh per quarter in Tasmania, 1650 kWh per day in Western Australia, and 330 kWh per day in the Australian Capital Territory. The small size of the first usage step in Tasmania, the fact that it applies to each quarter rather than to each day, and the low usage charge at the second usage step contribute to the low bills paid by typical Tasmanian business electricity customers.

Chart 6 Business electricity daily charges

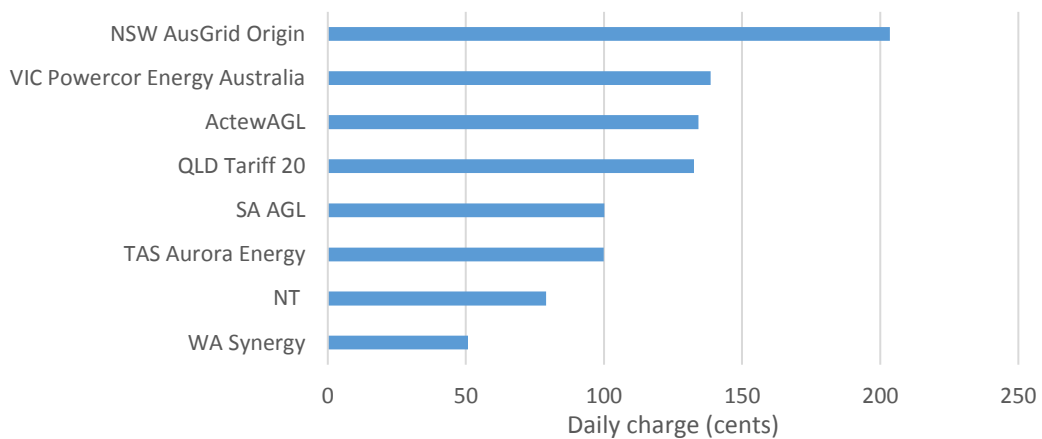
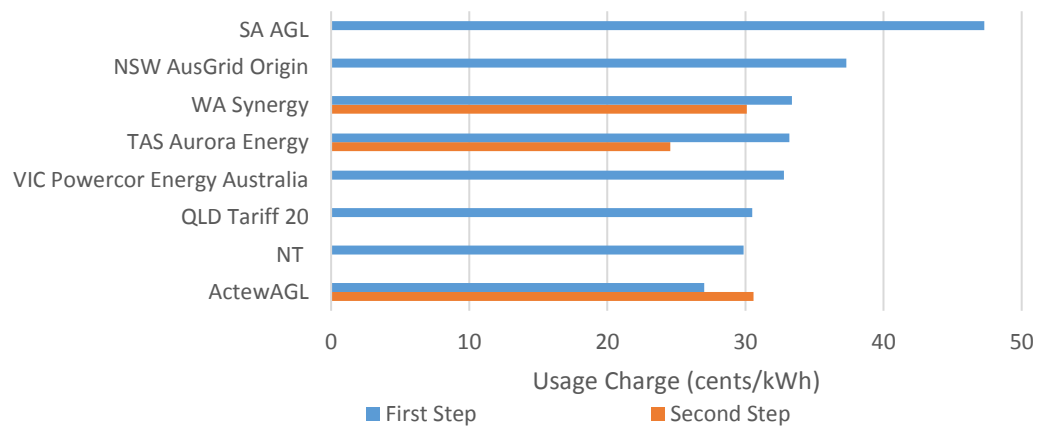


Chart 7 Business electricity usage charges



Gas price comparisons

As is the case with electricity prices, differences in usage levels and the types of tariffs available across Australia make it difficult to compare Tasmanian gas prices directly with the gas prices available in other jurisdictions. Tasmanian gas prices are unregulated and there are only two Tasmanian reticulated gas retailers, Tas Gas Retail and Aurora Energy, each offering a single residential tariff and a single commercial tariff.

In its *Annual report on the performance of the retail energy market 2015-16*, the AER included benchmarked gas usage⁶ in each jurisdiction as at 30 June 2016 as set out in Table 7.

Table 7 AER benchmarked gas usage

	mega joules (MJ)
Queensland	10 000
New South Wales	24 000
Victoria	63 000
South Australia	21 000
Tasmania	N/A
Australian Capital Territory	48 000

As shown in Table 7, the AER does not provide a benchmarked annual gas usage figures for Tasmania. However, from information provided by Aurora Energy and Tas Gas Retail, the Regulator understands that in 2016 the average annual gas usage by residential customers in Tasmania was roughly 30 000 MJ. As with the electricity price comparison in this report, the Regulator has compared gas prices based on the gas usage of an average Tasmanian customer.

In comparing Tasmanian residential gas prices to those available in mainland jurisdictions, it is important to note the comparatively small size of the Tasmanian gas market. With just 12 312 residential retail customers (as at 30 June 2016), the economies of scale that are prevalent in most jurisdictions do not exist in Tasmania.

Residential gas price comparison

This comparison applied the general tariffs (see Appendix 2) to the average usage rates for Tasmanian residential gas customers discussed above. Chart 8 shows the relative annual gas bills for a customer using 30 000 MJ per year across the different Australian jurisdictions and gas pricing areas. The grey component shows any increase in prices since the August 2016 comparison.

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

Chart 8 Residential gas annual cost comparison

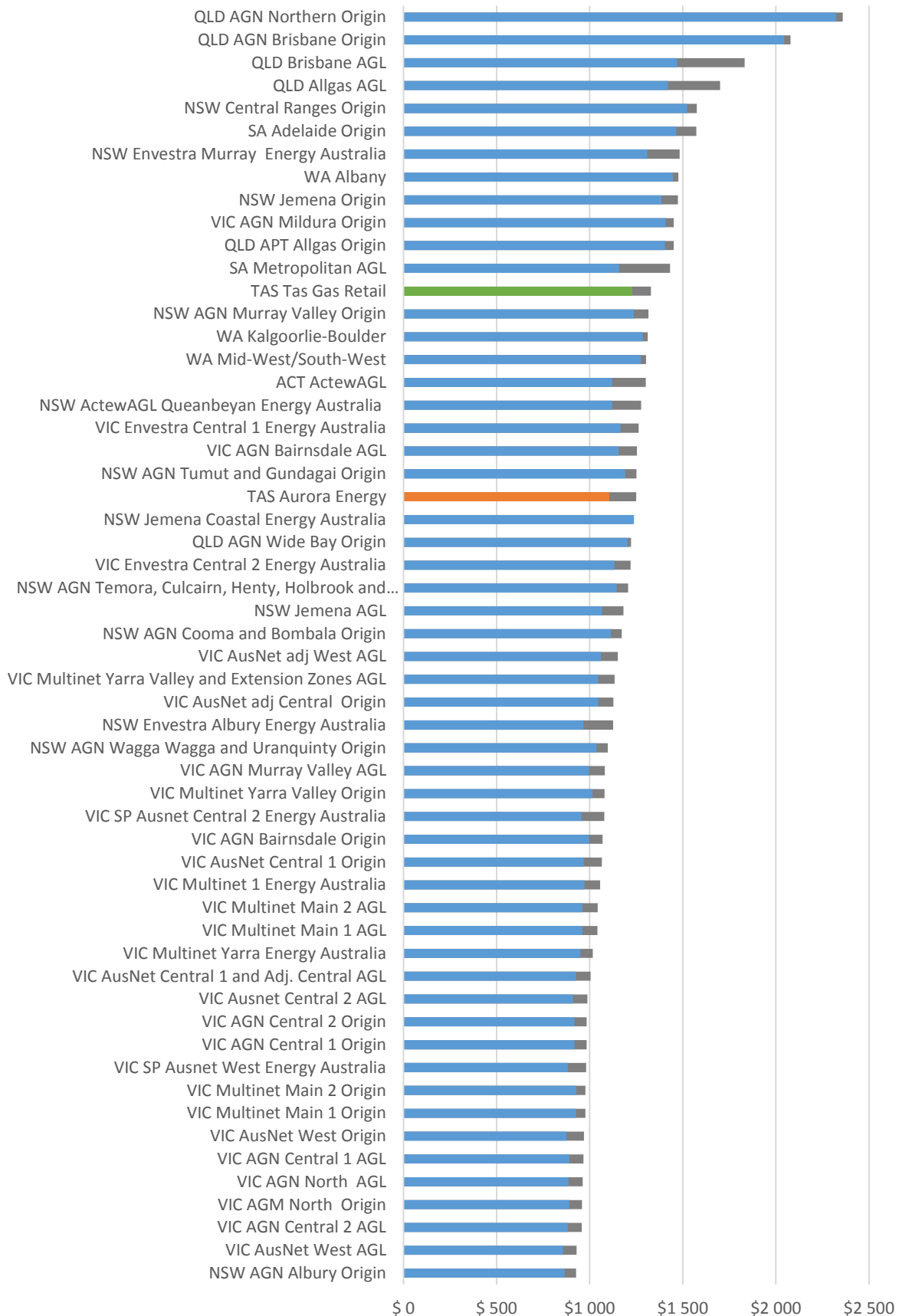


Chart 8 shows that, based on an annual usage of 30 000 MJ, both Tas Gas Retail and Aurora Energy residential gas customers pay slightly above average bills compared to customers in other Australian jurisdictions. Queensland customers pay considerably more than the average comparison bill at this usage level. However, Table 7 shows that the AER's benchmark usage level for Queensland gas customers is 10 000 MJ, much lower than the usage level used for this comparison.

The Regulator also compared the daily charges and usage charges for each jurisdictions' standing offer gas tariff or, in the case of jurisdictions with multiple standing offer tariffs, the median tariff. Chart 9 shows that Tasmanian residential gas customers pay relatively low daily charges compared to other jurisdictions. Chart 10 shows the usage charges for each MJ of gas used, where both Aurora Energy and Tas Gas Retail residential gas customers pay roughly average charges. Queensland residential gas customers pay both the highest daily charges and the highest usage charges for any Australian jurisdiction, accounting for their very high annual bills in the comparison shown in Chart 8. The Regulator once again notes that Queensland residential gas customers' annual gas usage is much lower than customers in other Australian jurisdictions, which compensates for their relatively higher prices.

Chart 9 Residential gas daily charges

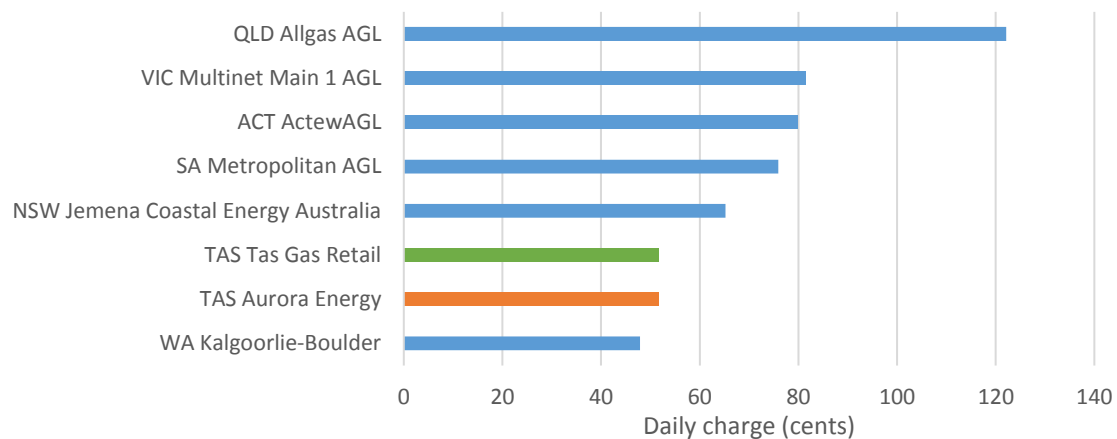
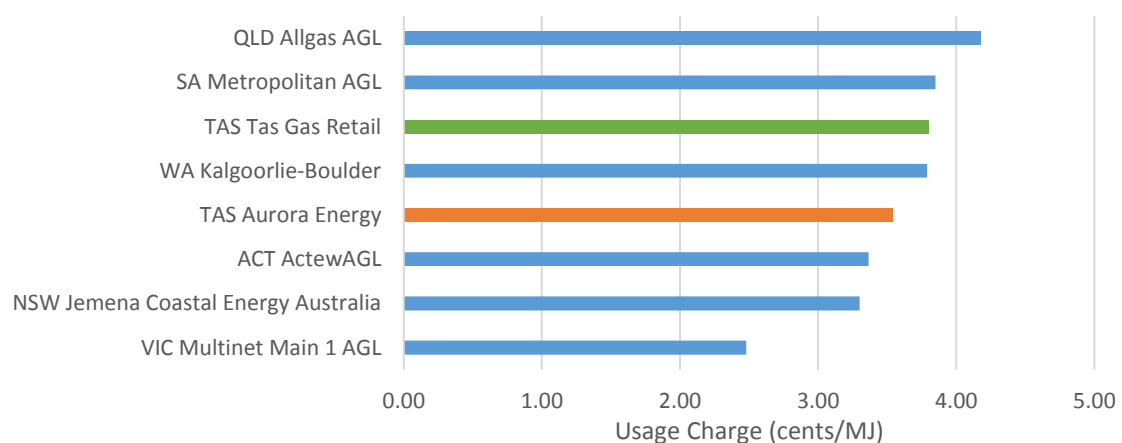


Chart 10 Residential gas usage charges



Business gas price comparison

This comparison applied the business tariffs (see Appendix 2) to the average usage rates for Tasmanian business gas customers. Based on information provided by Aurora Energy and Tas Gas Retail, in 2016 the average gas usage by business customers in Tasmania was roughly 430 000 MJ.

The Regulator also compared the daily charges and usage charges for each jurisdictions' standing offer business gas tariff or, in the case of jurisdictions with multiple standing offer tariffs, the median tariff. Chart 11 shows that Tasmanian business gas customers pay relatively high daily charges compared to other jurisdictions. Chart 12 shows the usage charges for each MJ of gas used, where both Aurora Energy and Tas Gas Retail business gas customers pay well above average charges.

Chart 13 (next page) shows the relative annual gas bills for a typical business customer across the different Australian jurisdictions and gas pricing areas. The grey component shows any increase in prices since the August 2016 comparison; the white component of certain bars indicates a price decrease. In this comparison, business gas customers in Tasmania using 430 000 MJ per year pay relatively high annual bills when compared to business gas customers in other Australian jurisdictions. Again, in comparing Tasmanian business gas prices to those available in mainland jurisdictions, it is important to note the comparatively small size of the Tasmanian market. There were just 909 non-residential/commercial gas customers in Tasmania as at 30 June 2016.

Chart 11 Business gas daily charges

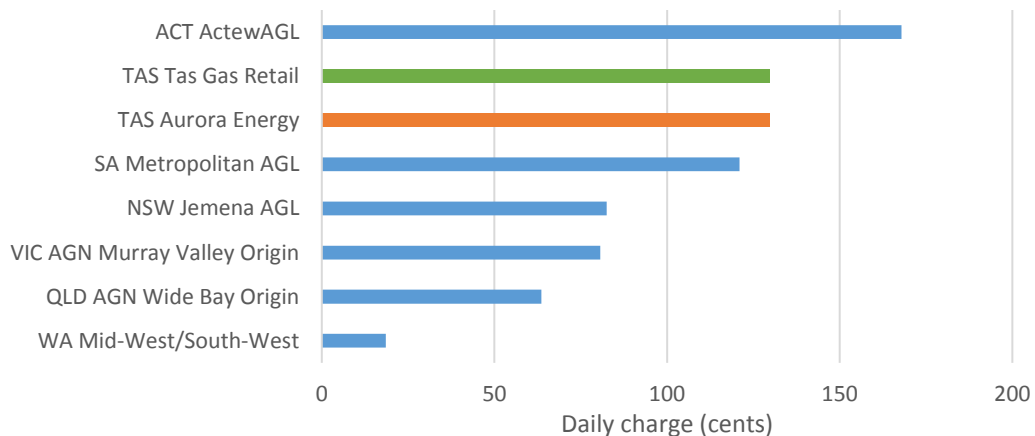


Chart 12 Business gas usage charges

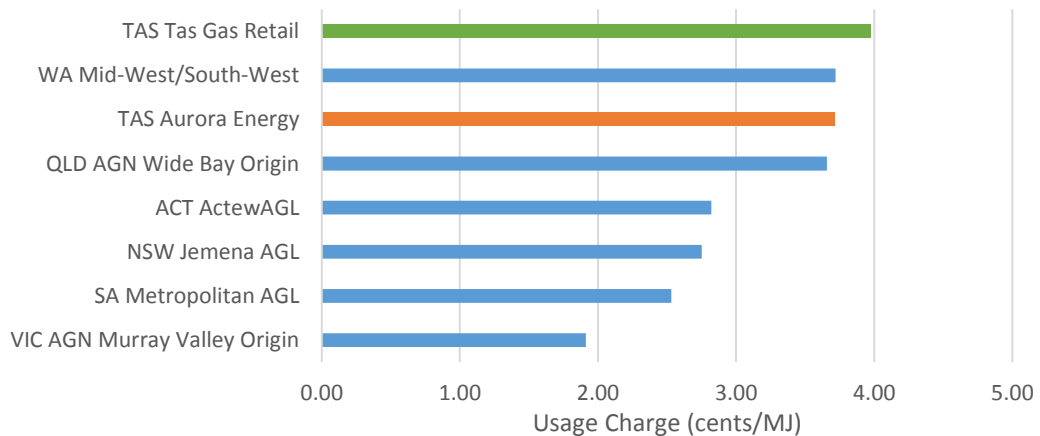
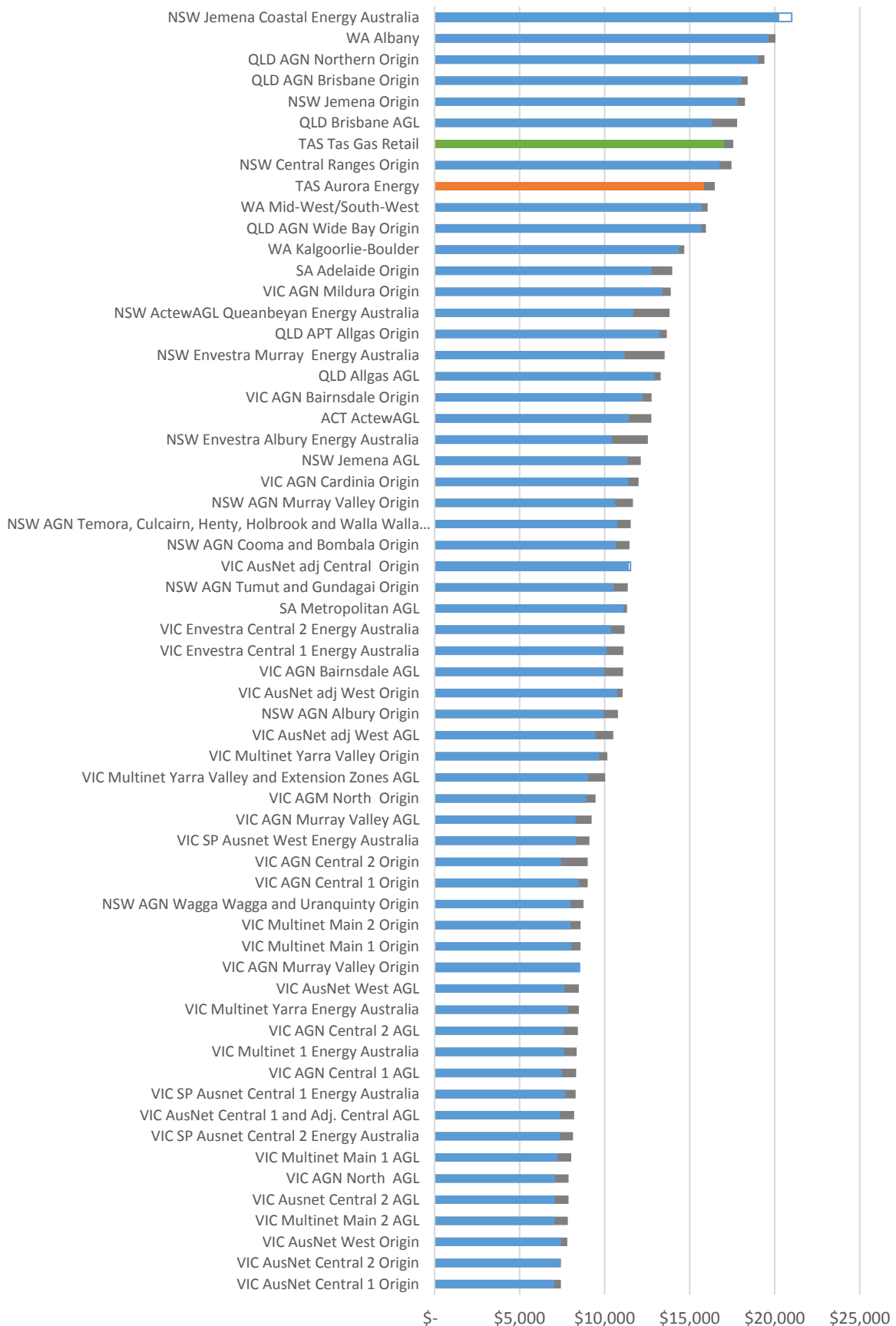


Chart 13 Business gas annual cost comparison



Appendix I: Links to electricity pricing information

<http://www.actewagl.com.au/Product-and-services/Prices.aspx>

<https://www.agl.com.au/residential/energy-plans/electricity-and-gas-plans/price-and-contract-information/standard-contract-information>

<https://www.auroraenergy.com.au/your-home/electricity/rates-and-charges/standard-electricity-rates-and-charges>

<https://secure.energyaustralia.com.au/EnergyPriceFactSheets/PricingFactSheets.aspx>

<http://www.utilicom.nt.gov.au/Electricity/pricing/Pages/Electricity-Retail-Pricing.aspx>

<https://www.originenergy.com.au/for-home/electricity-and-gas/plans/energy-price-fact-sheets.html?test=t>

<https://www.ergon.com.au/retail/residential/tariffs-and-prices/general-supply-tariffs>

[http://www.treasury.wa.gov.au/Pages/Public Utilities Office/Electricity industry/Electricity industry.aspx](http://www.treasury.wa.gov.au/Pages/Public%20Utilities%20Office/Electricity%20industry/Electricity%20industry.aspx)

Appendix 2: Links to gas pricing information

<http://www.actewagl.com.au/Product-and-services/Prices.aspx>

<https://www.agl.com.au/residential/energy-plans/electricity-and-gas-plans/price-and-contract-information/standard-contract-information>

<https://www.auroraenergy.com.au/your-home/gas/already-with-aurora-gas/rates-and-charges>

<https://www.tasgas.com.au>

<http://www.treasury.wa.gov.au/Public-Utilities-Office/Household-energy-pricing/Gas-pricing/>

<https://secure.energyaustralia.com.au/EnergyPriceFactSheets/PricingFactSheets.aspx>

<https://www.originenergy.com.au/for-home/electricity-and-gas/plans/energy-price-fact-sheets.html?test=t>

Appendix 3: Links to concession information

<http://www.dhs.vic.gov.au/about-the-department/documents-and-resources/reports-publications/victorian-concessions>

http://www.concessions.tas.gov.au/concessions/electricity_and_heating

<http://www.qld.gov.au/community/cost-of-living-support/electricity-gas-rebates/index.html>

<http://www.resourcesandenergy.nsw.gov.au/energy-consumers/financial-assistance/rebates/low-income-household-rebate>

http://www.assistance.act.gov.au/adult/utilities/energy_concession

<https://www.sa.gov.au/topics/employment-and-finance/financial-support/concessions-and-benefits/concessions/energy-bill-concessions>

<https://nt.gov.au/community/seniors/nt-pensioner-and-carer-concession-scheme/concession-amounts>

<http://www.concessions.wa.gov.au/Pages/SearchResults.aspx?Category=Household Bills and Appliances&termId=dd5d08ea-85ad-4818-abeb-42d40becf1cd>

