



**Comparison of Australian
Standing Offer Energy Prices
as at 1 February 2016**

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EXECUTIVE SUMMARY

This report compares electricity and natural gas prices available to residential and small business customers across Australian jurisdictions under a regulated tariff or standing offer contract, as at 1 February 2016.¹ The report also compares the electricity prices paid by concession customers across Australian jurisdictions under a regulated tariff or standing offer contract.

For Tasmanian residential customers the report shows that:

- standing offer electricity prices are generally in the low range of prices available across Australia;
- concession customers pay standing offer electricity prices that are generally in the low range of prices compared to those available in other jurisdictions; and
- Tasmanian gas customers continue to pay prices in the low range of prices compared to those available in other jurisdictions.

For Tasmanian small business customers the report shows that:

- standing offer electricity prices are generally in the low range of prices available across Australia; and
- natural gas prices are above the mid-range of prices available in other jurisdictions.

¹ Gas prices are unregulated in Tasmania.

1 INTRODUCTION

This report compares standing offer (or regulated) electricity and gas prices for small customers² across Australia. The report is produced in accordance with section 10C(2)(a) and (3) of the *Electricity Supply Industry Act 1995*, and will be tabled in each House of Parliament as required by section 10C(6)(a) of that Act.

The electricity section of this report compares the range of prices per unit of consumption (ie cents per kWh) for residential and small business customers in Tasmania and mainland jurisdictions, and includes a comparison for customers with concessions available in each jurisdiction as at 1 February 2016. There is also a comparison of the annual electricity costs across Australia. All prices include GST.

In Tasmania, full retail competition for electricity commenced on 1 July 2014. All customers on mainland Tasmania (including Bruny Island) have the option of entering into a market retail contract with Aurora Energy or another retailer. However, the Regulator understands that Aurora Energy is yet to offer market contracts to residential customers, apart from its Aurora Pay As You Go product, and Aurora Energy continues to be the sole residential retailer. As at 31 December 2015, there were 207 890 residential and 31 535 business customers on standing offer tariffs.

A separate annual comparison between Tasmanian Aurora Pay As You Go prices and standing offer tariffs is available on the Office of the Tasmanian Economic Regulator's (OTTER's) website.³

The gas section of this report compares prices in Tasmania and mainland jurisdictions for both residential and business consumers as at 1 February 2016. The Tasmanian market for natural gas is small with 12 669 customers connected to the distribution network as at 30 June 2015. In Tasmania, the price of natural gas is not regulated, but the Regulator monitors prices and seeks to protect the interests of customers by reporting on those prices relative to other jurisdictions.

Readers should note that in jurisdictions with competitive gas and/or electricity retail markets, customers may have access to cheaper prices than standing offer prices.

² All residential customers on mainland Tasmania as well as those small business customers consuming less than 150 megawatt hours of electricity per year are small customers.

³[http://www.economicregulator.tas.gov.au/domino/otter.nsf/LookupFiles/152164_Revised_Prepayment_price_comparison_report_AuroraPayAsYouGo_August_2015Version2.pdf/\\$file/152164_Revised_Prepayment_price_comparison_report_AuroraPayAsYouGo_August_2015Version2.pdf](http://www.economicregulator.tas.gov.au/domino/otter.nsf/LookupFiles/152164_Revised_Prepayment_price_comparison_report_AuroraPayAsYouGo_August_2015Version2.pdf/$file/152164_Revised_Prepayment_price_comparison_report_AuroraPayAsYouGo_August_2015Version2.pdf)

2 METHODOLOGY

The methodology used for the comparisons in this report is to sum the daily fixed charges and the variable charges over a range of consumption. Pricing structures from across Australia generally have a daily fixed charge component and a consumption charge. The total energy cost (ie fixed charges plus consumption charges) is then divided by consumption to estimate, on an average cents per unit basis, the price customers in each pricing zone⁴ could expect to pay.

⁴ Depending on the market structure in each jurisdiction, pricing zones refer to either distribution zones in jurisdictions or an entire jurisdiction.

3 ELECTRICITY COMPARISON

3.1 Residential Assumptions

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

In its *Annual report on the performance of the retail energy market 2014-15*⁵ (Retail Energy Market Report), the Australian Energy Regulator (AER) benchmarked the consumption of electricity in each jurisdiction for Low income and for Middle and High income customers in each NEM jurisdiction as at 30 June 2015. These benchmarked consumption levels are included in Table 3.1.

Table 3.1 AER benchmarked electricity consumption by jurisdiction as at 30 June 2015

Jurisdiction	Benchmarked annual consumption (kWh)	
	Low income	Middle and High income
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

In addition to electricity consumption, the types and combinations of tariffs available also need to be considered. Table 3.2 lists the various residential standing offer tariffs available in Tasmania.

Table 3.2 Residential standing offer tariffs available in Tasmania

Tariffs	Description
Tariff 31 (T31)	Light and power
Tariff 41 (T41)	Hot Water
Tariff 42 (T42)	Hot Water and Space Heating
Tariff 61 (T61)	OffPeak

Customers may have a Tariff 31 connection only or various combinations of Tariff 31 and one or more of the other tariffs. The information from the Regulator's *Typical Electricity Customers Information Paper, May 2014*⁶ (Typical Customers Paper) as reproduced in Table 3.3 shows standing offer tariff combinations and the approximate proportion of customers on each combination.

⁵https://www.aer.gov.au/system/files/AER%20Annual%20Report%20on%20the%20Performance%20of%20the%20Retail%20Energy%20Market%20201415_0.PDF

⁶ [http://www.economicregulator.tas.gov.au/domino/otter.nsf/LookupFiles/Typical_Electricity_Customer_Information_Paper_Web_version_140603.pdf/\\$file/Typical_Electricity_Customer_Information_Paper_Web_version_140603.pdf](http://www.economicregulator.tas.gov.au/domino/otter.nsf/LookupFiles/Typical_Electricity_Customer_Information_Paper_Web_version_140603.pdf/$file/Typical_Electricity_Customer_Information_Paper_Web_version_140603.pdf)

Table 3.3 Tasmanian standing offer tariff combinations and percentage of customers on each combination

Tariff combination	% of customers
T31/42	55
T31/41	31
T31 only	6
T31/41/61	3
T31/42/61	3
T31/61 ⁷	2

Additionally, Table 3.4 shows that for each combination, not only does total consumption vary but the relative consumption under each tariff combination also varies.

Table 3.4 Tasmania Typical Customer standing offer tariff combinations and consumption levels

Standing offer tariff combinations	Consumption (kWh)				
	T31	T41	T42	T61	Total
T31 only (medium consumption)	2 897				2 897
T31/41 (low)	1 883	1 592			3 475
T31/41 (medium)	3 580	2 825			6 405
T31/41 (high)	5 850	4 728			10 578
T31/42 (low)	2 074		2 737		4 811
T31/42 (medium)	3 432		4 878		8 310
T31/42 (high)	5 420		7 865		13 285
T31/41/61 (medium)	4 025	2 915		2 193	9 133

From the information in Table 3.4, the Regulator has assumed consumption levels together with the relative consumption ratios for each tariff. The actual consumption patterns in other jurisdictions are unknown. To make any comparison, the consumption ratios must therefore be assumed. These assumptions are summarised in Table 3.5 and are unchanged from the assumptions adopted by the Regulator in its *Comparison of Australian Offer Energy Prices as at 1 July 2015 (October 2015) (the October 2015 Comparison Report)*⁸. Noting the consumption levels set out in Table 3.4, this report uses a range of consumption between 2 500kWh and 14 000 kWh.

As occurs in Tasmania, some jurisdictions also have tariff structures with general light and power supply tariffs and off-peak/controlled load tariffs. Without knowing the consumption patterns of customers in the various pricing zones, the ratio of off-peak/controlled load to general light and power has been assumed as constant across all jurisdictions, based on the off-peak consumption component of Aurora Energy's Tariff 31/41/61 consumption split, at 25 per cent of total consumption.

⁷ Since tariff combinations 31/42/61 and 31/61 apply only to a relatively small groups of customers, these tariff combinations have been excluded from this analysis.

⁸

[http://www.economicregulator.tas.gov.au/domino/otter.nsf/LookupFiles/15_2906_Comparison_of_Australian_Standi ng_Offer_Energy_Prices.PDF/\\$file/15_2906_Comparison_of_Australian_Standing_Offer_Energy_Prices.PDF](http://www.economicregulator.tas.gov.au/domino/otter.nsf/LookupFiles/15_2906_Comparison_of_Australian_Standi ng_Offer_Energy_Prices.PDF/$file/15_2906_Comparison_of_Australian_Standing_Offer_Energy_Prices.PDF)

In some other jurisdictions' pricing zones, retailers offer both a Controlled load 1 and a Controlled load 2 tariff. There is usually a difference in price but also in the hours when these tariffs are available to the customer. As such, the Controlled load tariff selected for comparison in each case is the controlled load that most closely aligns with Aurora Energy's Tariff 61. Table 3.5 provides a summary of the consumption ratio assumptions used for the comparison.

Table 3.5 Summary of consumption ratio assumptions used for residential electricity comparisons

Tariff combinations	Assumed consumption ratios			
	General	Heating Discount	Controlled Load	Total
<i>Tasmania</i>				
T31	100%	-	-	100%
T31/41	55%	45%	-	100%
T31/42	40%	60%	-	100%
T31/41/61	45%	30%	25%	100%
<i>Other Jurisdictions</i>				
General	100%	-	-	100%
General /Controlled load	75%	-	25%	100%

Further to this, jurisdictions such as South Australia have winter and summer pricing. For the purposes of this comparison, consumption has been assumed to be spread evenly over the year.

For some interjurisdictional pricing zones, there are multiple retailers whose prices could potentially be used in the comparison. In these instances the Regulator has used prices offered by the market dominant retailer in each jurisdiction. As there is no single dominant retailer in New South Wales and Victoria, prices from each of AGL, Energy Australia and Origin were used.

In reports prepared prior to the Regulator's October 2015 Comparison Report, price comparisons referred to the average price across all jurisdictions. However, the average related only to the inputs used which, as mentioned above, did not cover all pricing zones. Due to the nature of average calculations this approach also equally weighted each price input regardless of the number of customers in each pricing zone paying those prices. Since the number of customers on standing offer contracts in each pricing zone is unknown, this report refers to an All input mid-range price, which is the mid-range between the maximum and minimum cost per unit at any given level of consumption taking into account all price inputs.

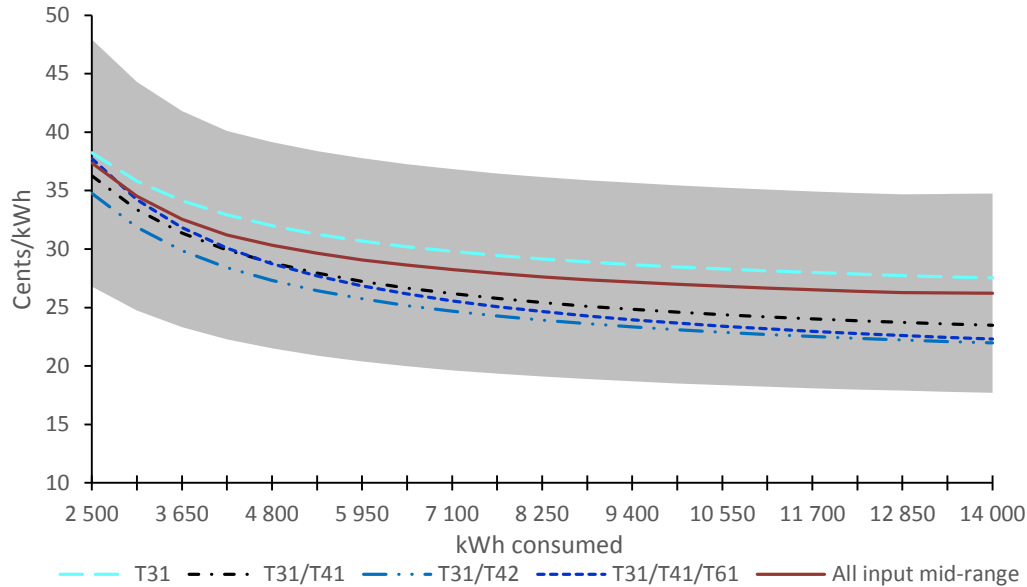
3.2 Residential comparison

Figure 3.1 shows the range of prices per unit of consumption (ie cents per kWh) for residential tariffs across Australia (shaded area) as at 1 February 2016 and shows where the various combinations Tasmanian regulated tariffs sit within that range.

Customers with Tariff 31 only pay near the all input mid-range price irrespective of the amount of electricity consumed. However, as shown in Table 3.4, consumption for a typical customer on Tariff 31 only (approximately six per cent of the population) with medium consumption is 2 897 kWh per year.

For customers on the other tariff combinations (ie the remaining 94 per cent of Tasmanian standing offer residential customers), the chart shows that most Tasmanian residential customers pay in the low range of prices available across Australia at any level of consumption.

Figure 3.1 Residential electricity prices for non-concession customers (cents per kWh)

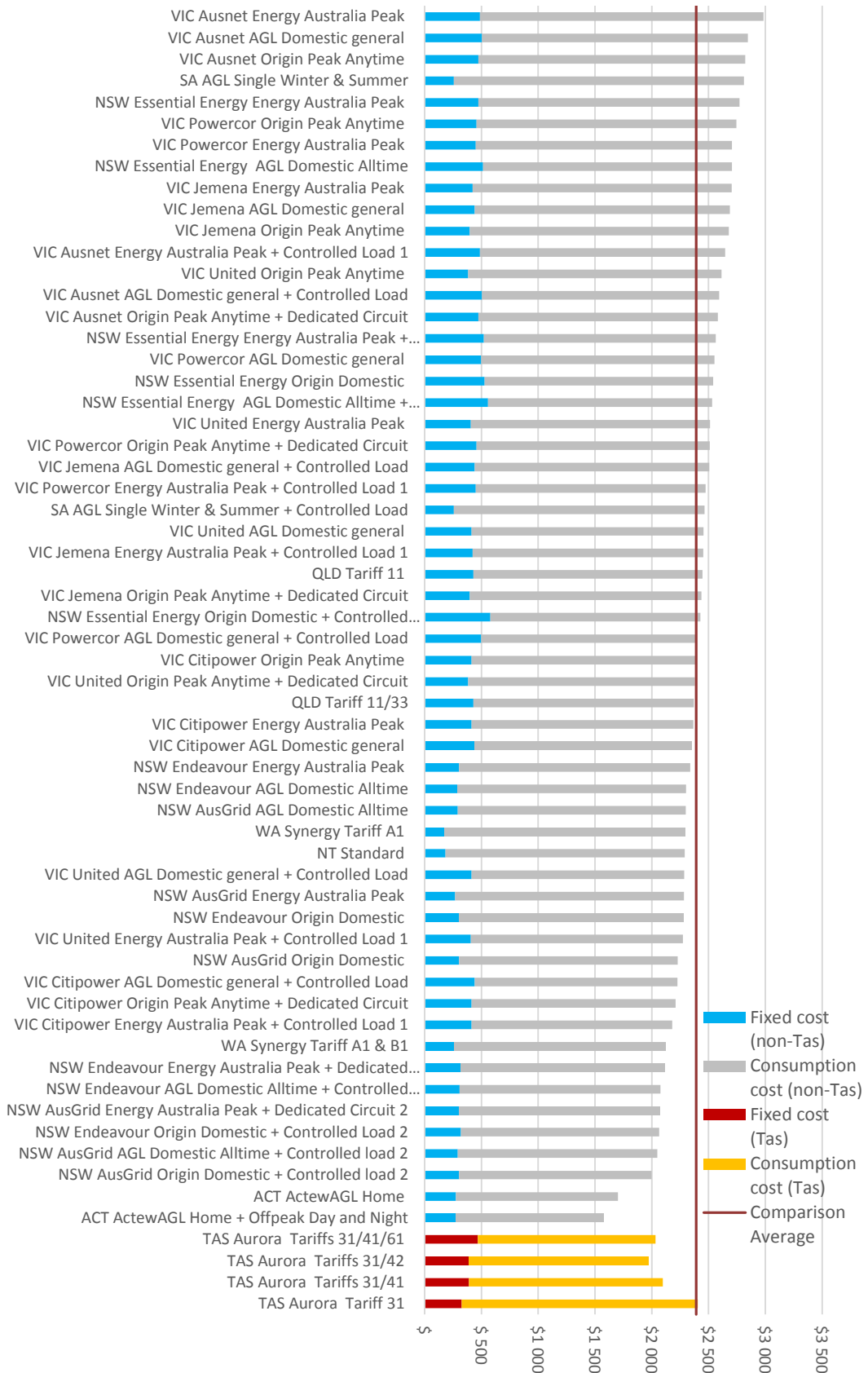


As shown in Table 3.4, the approximate level of consumption for a Tasmanian customer on the most common tariff combination of Tariff 31/42 (55 per cent of all standing offer customers are on this tariff combination) is 8 310 kWh. Figure 3.2 shows the annual electricity costs for all pricing zones if 8 250 kWh (an approximate comparison value to 8 310 kWh) was consumed per year, split between fixed and variable components and compares these costs to the comparison average⁹. At this level of consumption, all Tasmanian residential customers pay below the comparison average.

Standing offer customers in the Australian Capital Territory pay the lowest amount for annual consumption of 8 250kWh. In contrast, customers in the Victorian SP AusNet pricing zone pay the most. However, this level of consumption (8 250 kWh) is likely to be higher than the AER benchmark for Victoria as shown in Table 3.1 (ie according to the AER's benchmark, Victorian consumers use between 3 700 kWh and 4 900 kWh of electricity per annum).

⁹ The 'comparison average' is the average of the annual electricity costs facing residential customers under the various standing offer products that have been used as inputs to this Report.

Figure 3.2 Residential electricity cost based on annual consumption of 8 250 kWh



3.3 Concession comparison

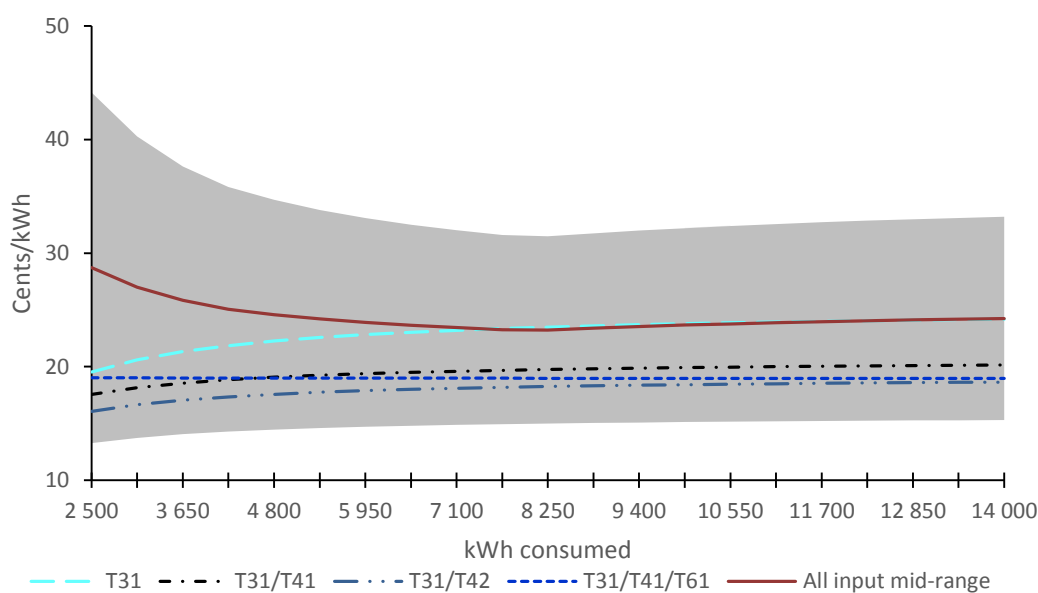
There are a range of concession schemes available around Australia that reduce electricity charges for pensioners and other concession card holders. From 1 July 2015, Tasmanian Pensioner Concession Card and Health Care Card holders receive a rebate of 128.161 cents per day, an annual discount of \$467.79. The concession discounts applied in this report are included in Table 3.6.

Table 3.6 Concession discounts applicable from 1 July 2015

Jurisdiction	Discount applied
VIC	Excluding the first \$171.60 of consumption, 18% discount on general consumption and 13% discount on Offpeak consumption
TAS	\$467.79
QLD	\$320.97
NSW	\$258.50
ACT	\$338.21
SA	\$215.00
NT	\$462.82 for daily fixed charges and a 36% discount on consumption
WA	\$227.14

Figure 3.3 shows the range of standing offer prices available, as at 1 February 2016, to residential customers across Australia, taking into account any concessions available as at 1 January 2016. The price of electricity for Tasmanian customers with concessions is in the low range of prices available across Australia at any level of consumption, with the exception of customers on Tariff 31 only, whose prices approach the all-input mid-range price as consumption increases. However, as noted above, these customers typically have consumption at the lower end of the range.

Figure 3.3 Residential electricity price for concession customers (cents per kWh)



3.4 Business Assumptions

Consistent with the approach adopted for the October 2015 Comparison Report, the Regulator has used the standing offer business prices offered by the same retailers that it selected for the residential price comparison.

Table 3.7 lists common business standing offer tariffs available in Tasmania.

Table 3.7 Business standing offer tariffs available in Tasmania

Tariffs	Description
Tariff 22 (T22)	Light and Power
Tariff 43 (T43)	Business Hot Water Supply System
Tariff 61 (T61)	OffPeak

The information from the Typical Customers Paper has been reproduced in Table 3.8 and shows that almost all Tasmanian small business customers were on Tariff 22 only (light and power). On this basis, this report compares prices for Tariff 22 with comparable business rates available in pricing zones in other jurisdictions.

Table 3.8 Tasmanian business standing offer tariff combinations and percentage of customers on each combination

Tariff combination	% of customers
T22	95.0
T22/43	3.9
T22/61	0.8
T22/43/61	0.3

The Typical Customers Paper also details the typical customer consumption for Tariff 22 only, as reproduced in Table 3.9.

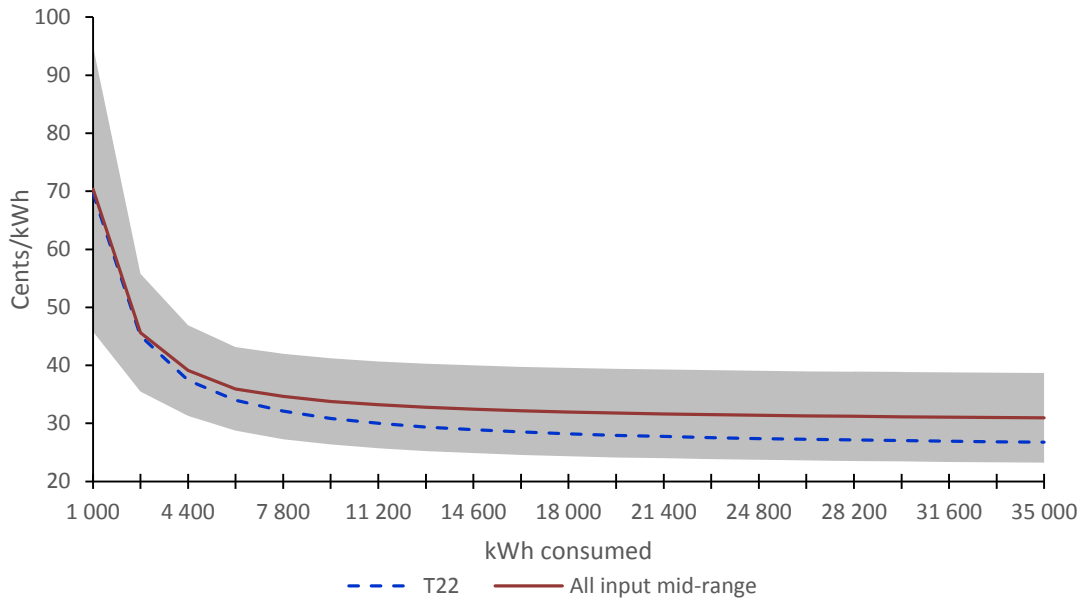
Table 3.9 Tariff 22 customers – consumption by usage category

Usage category	Consumption (kWh)
Very low	241
Low	1 344
Medium	4 398
High	11 349
Very high	33 959

With respect to consumption levels, this report uses a range of 1 000 kWh to 35 000 kWh. This range covers typical customer customers with Low consumption to Very high consumption customers as shown in Table 3.9. This is in contrast to previous reports that used a range from 1 000 kWh to 40 000 kWh.

3.5 Business Comparison

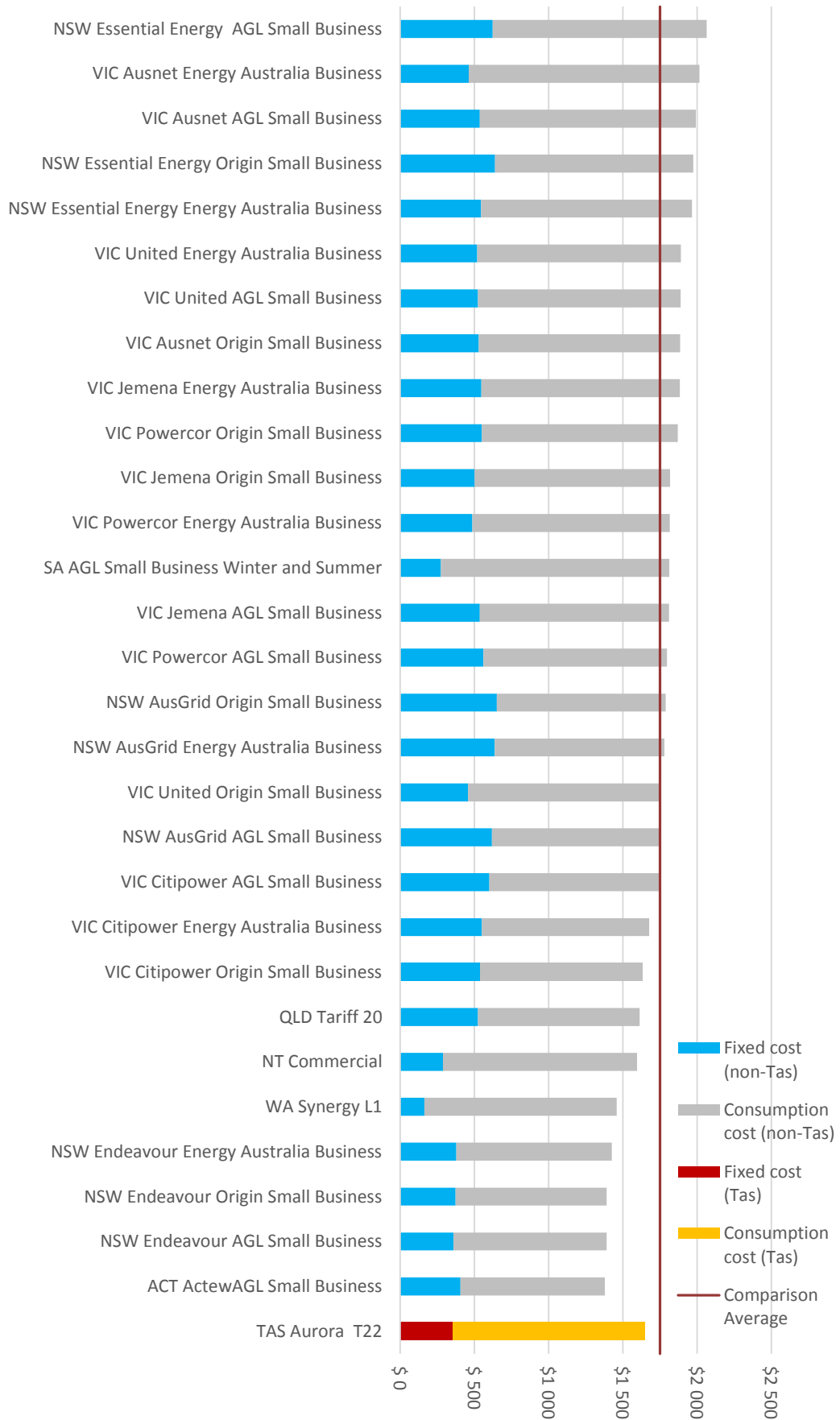
Figure 3.4 shows the price in cents per kWh of consumption by small business customers on standing offer tariffs across Australia (shaded area) as at 1 February 2016 and shows where Tasmanian Tariff 22 prices sit within that range.

Figure 3.4 Business electricity prices (cents per kWh)

As shown in Figure 3.4, Tasmanian small business customers generally pay less than the all input mid-range price per kWh consumed.

Figure 3.5 shows the annual electricity costs across Australia based on annual consumption of 4 400 kWh, which is the approximate consumption of a Tasmanian Tariff 22 customer with medium consumption.

Figure 3.5 Business electricity costs based on annual consumption of 4 400 kWh



4 NATURAL GAS

4.1 Residential assumptions

Due to differences between consumption levels and the types of tariffs available across Australia, it is difficult to directly compare Tasmanian residential gas prices with prices available in other jurisdictions. While the price of gas in Tasmania is unregulated, there are only two retailers each offering a single residential pricing option. Each of these prices have therefore been used for the comparison.

In its Retail Energy Market Report, the AER also included benchmarked gas consumption in each jurisdiction as at 30 June 2015 as set out in Table 4.1.

Table 4.1 AER benchmarked gas consumption by jurisdiction as at 30 June 2015

Jurisdiction	Benchmarked annual consumption in megajoules (MJ ¹⁰)
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 4.1 the AER does not provide a benchmarked annual gas consumption level for Tasmania. However, in 2014-15, the average residential consumption in Tasmania was 32 170 MJ. Since the Tasmanian average sits within the range of the AER's benchmarked consumption this report uses a comparison range of 5 000 MJ to 65 000 MJ.

The Regulator used the same approach as it did for the electricity price comparison in terms of selecting the most representative retailer in each jurisdiction.

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

4.2 Residential comparison

Figure 4.1 shows the range of prices in cents per MJ for standing offer residential gas tariffs available in Australia (shaded) as at 1 February 2016 and shows that most Tasmanian residential customers pay in the low to mid-range of prices available across Australia at any level of consumption.

Figure 4.1 Residential gas prices (cents per MJ)

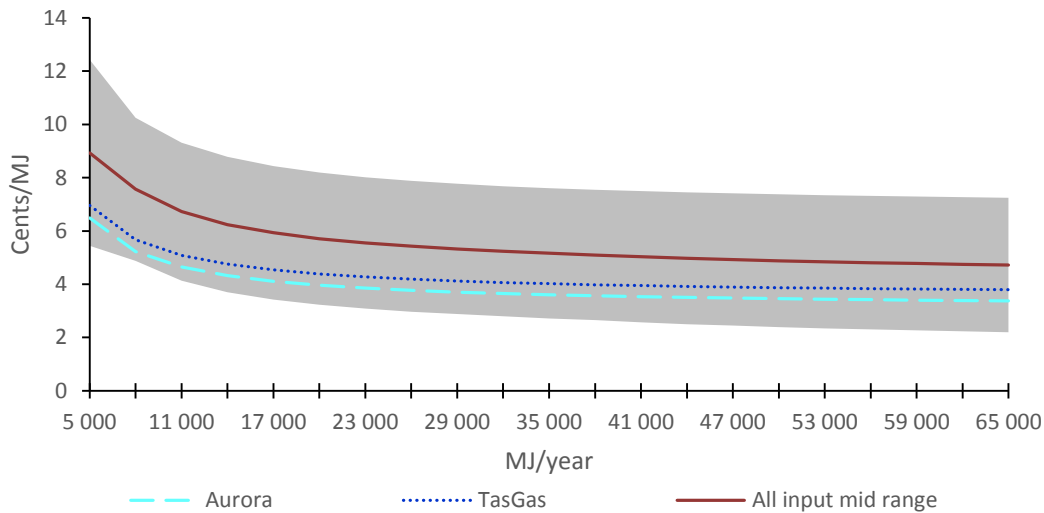
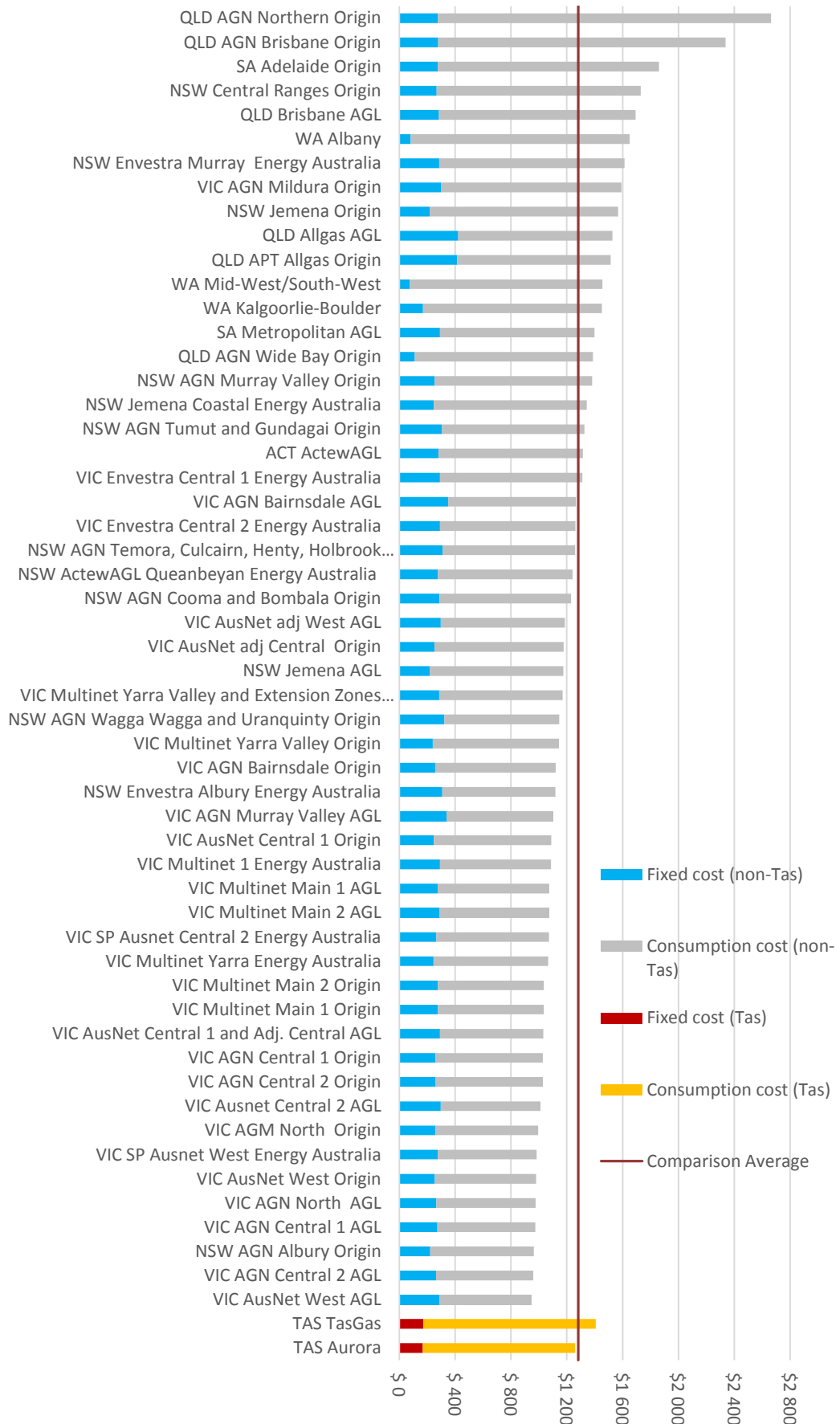


Figure 4.2 presents the annual gas costs for all pricing zones at 35 000 MJ, including the fixed and variable components and also the comparison average cost. At that consumption level, Figure 4.2 shows that TasGas customers pay more than the average of comparison costs and Aurora Energy customer pay slightly under the average. It should be noted that Queensland customers pay considerably more at that level of consumption. However, the AER's benchmark level of consumption for Queensland customers of 10 000 MJ is much lower than the consumption level adopted for the comparison average.

Figure 4.2 Residential gas costs based on annual consumption of 35 000 MJ



4.3 Business assumptions

The Regulator understands that the average annual gas consumption by Tasmanian non-residential/commercial customers for 2014-15 was 472 900 MJ (this average excludes consumption for large industrial customers consuming in excess of 10 000 000 MJ per annum). This report uses a comparison range of 100 000 MJ to 600 000 MJ.

4.4 Business comparison

Figure 4.3 shows the range of prices in cents per MJ for common business tariffs available in Australia (shaded) from 1 February 2016 and shows that Tasmanian natural gas business customers pay above the all input mid-range price irrespective of the amount of gas consumed.

Figure 4.3 Business gas prices (cents per MJ)

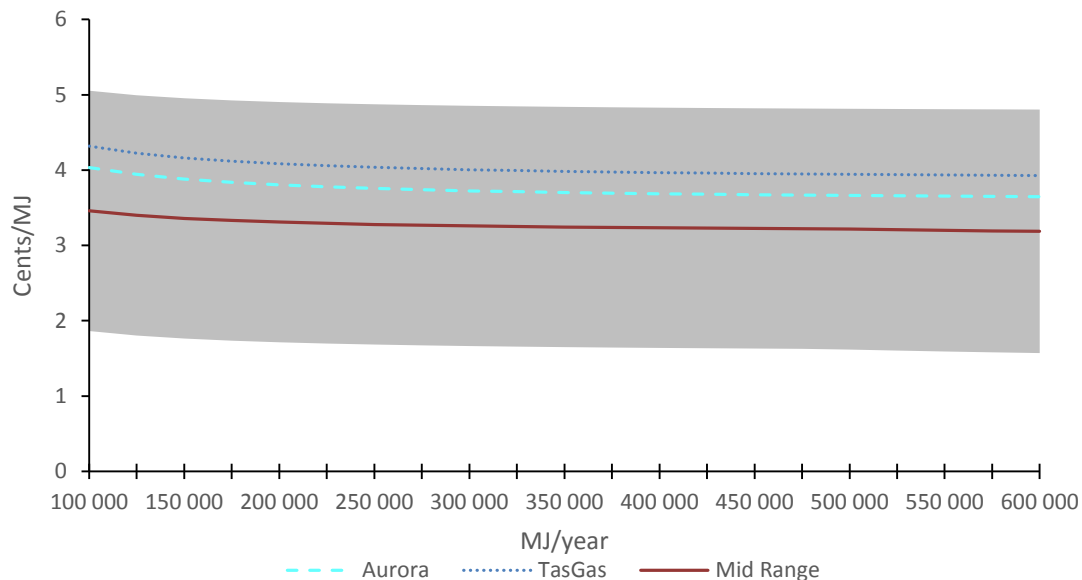
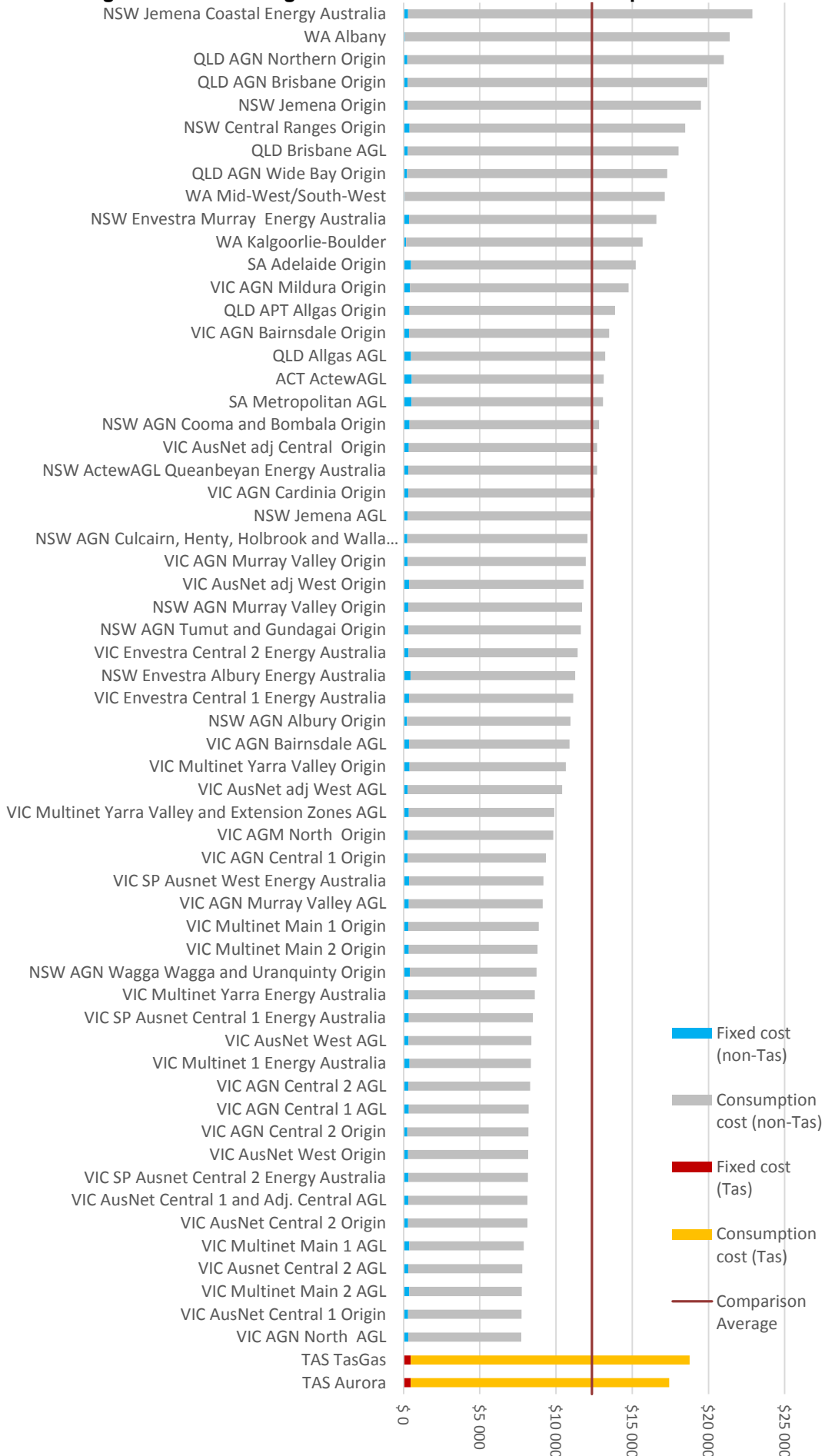


Figure 4.4 shows the annual gas costs for all pricing zones at 475 000 MJ, including the fixed and variable components and also the comparison average cost. Business customers in Tasmania consuming around 475 000 MJ per year (just above the Tasmanian average) pay well above the comparison average.

Figure 4.4 Business gas costs based on annual consumption of 475 000 MJ



5 LINKS TO PRICE & CONCESSION INFORMATION

Electricity and gas pricing information

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

<http://www.agl.com.au/residential/energy-plans/electricity-and-gas-plans/price-and-contract-information/important-information-about-standard-retail-contracts>

<https://www.auroraenergy.com.au/your-home/prices>

<https://www.auroraenergy.com.au/your-business/small-business/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>

<http://www.qca.org.au/Electricity/Regional-consumers/Reg-Electricity-Prices>

https://www.finance.wa.gov.au/cms/Public_Uilities_Office/Businesses_and_Government/Electricity/Electricity_prices.aspx

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

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>

http://health.nt.gov.au/library/scripts/objectifyMedia.aspx?file=other/97/88.docx&siteID=1&str_title=NTPCCS_Policy_Manual.docx
