

# Comparison of Australian Standing Offer Energy Prices January 2018

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## Introduction

Twice a year, the Tasmanian Economic Regulator (Regulator) prepares a report<sup>1</sup> comparing Tasmanian standing offer (regulated) electricity prices, and retail gas prices, with standing offer energy prices in other Australian jurisdictions.

For the electricity comparisons, the Regulator compares Aurora Energy's prices with interstate prices, or tariffs, based on Tasmanian Typical Customer<sup>2</sup> usage. 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. 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.

Since the August 2017 report, Aurora Energy's regulated electricity prices have not changed but their gas prices have increased slightly. Tas Gas Retail's gas prices have not changed since the previous comparison. There have been a number of price increases in comparable mainland standing offer gas and electricity prices.

As explained in the Electricity Price Comparisons section, the Regulator has changed some of the electricity usage assumptions and tariff inputs for this report to ensure that the price comparisons are as robust as possible. The changes do not materially change the outcome of the comparison.

As compared in this report, Tasmanian Typical Customers' bills remain amongst the lowest in Australia.

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

<sup>2</sup> *Typical Electricity Customers 2017 Report*

<http://www.economicregulator.tas.gov.au/Documents/Typical%20Electricity%20Customers%20Report%202017.PDF>

## Electricity price comparisons

Comparing Tasmanian electricity prices directly with electricity prices available in other jurisdictions is difficult due to differences between electricity usage and the types of tariffs available across Australia<sup>3</sup>. The outcomes of the comparisons shown in this report are therefore indicative only. Since the July 2015 report, the Regulator has used the same set of tariff inputs. Over time some tariffs have changed and the Regulator has, therefore, reviewed the tariff inputs and altered some assumptions used for these comparisons. The Regulator will continue to review the methodology and inputs for these comparisons in preparing future reports.

The previous comparison used Typical Customer medium usage from the *Typical Electricity Customers 2017 Report* (2017 Report) to compare Tasmanian standing offer tariff prices against the closest equivalent standing offer tariff prices in each Australian jurisdiction. Table 1 shows the assumed total usage for both residential and business customers from the 2017 Report together with the assumed split between general usage and off-peak/controlled load usage. If an off-peak/controlled load tariff is not available, total usage is assumed to be on a general usage tariff.

Table 1 Usage assumption based on Tasmanian Typical Customer medium usage

	Usage (kWh)
<i>Residential comparison</i>	
General usage (kWh)	3 400
Off-peak / Controlled load usage	4 100
Total usage	7 500
<i>Residential Concession comparison</i>	
General usage	2 900
Off-peak / Controlled load usage	3 500
Total usage	6 400
<i>Business comparison - Total usage</i>	6 700

The types of 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, market contracts are also available in some of these jurisdictions.

There are no regulated electricity prices in New South Wales, Victoria, or South Australia, but retailers do offer non-regulated standing offer tariffs. These non-regulated standing offer tariffs are generally not the retailers' cheapest products and, according to the AER<sup>4</sup>, most electricity customers in New South Wales, Victoria and South Australia are on market contracts.

Aurora Energy's tariffs used in the comparison are:

- Tariff 31 Residential Light & Power Anytime (T31);
- Tariff 41 Heating and Hot Water (T41); and
- Tariff 22 General Business Anytime (T22).

<sup>3</sup>[https://www.aer.gov.au/system/files/201516%20AER%20Annual%20Report%20on%20the%20Performance%20of%20the%20Retail%20Energy%20Market\\_1.PDF](https://www.aer.gov.au/system/files/201516%20AER%20Annual%20Report%20on%20the%20Performance%20of%20the%20Retail%20Energy%20Market_1.PDF)

<sup>4</sup><https://www.aer.gov.au/system/files/AER%20State%20of%20the%20Energy%20market%202017%20-%2020A4.pdf>

Apart from differences in price regulation, some tariffs are not directly comparable. As an example, Aurora Energy's T41 allows for hot water and space heating including the use of heat pumps while other retailers' controlled load or off-peak tariffs may not include space heating using heat pumps. That is, the hot water and storage heating combination is only available on particular interstate tariffs. Further, Aurora Energy customers can use the T41 tariff at any time of the day whereas some interstate off-peak tariffs for heating may be available for 18 hours and others are only available for up to eight hours. As an example, heat pump space heating is not available on the ACT's Off-peak Day and Night tariff. This implies that, although storage heating is available on this tariff, most customers on this tariff are likely to use it for hot water only. This means that there is a difference between this tariff and Aurora Energy's T41.

To account for this difference, the Regulator needed another usage assumption for interstate tariffs where off-peak or controlled load tariffs are only available for hot water. The 2017 Report does not have hot water only usage information. The Regulator made the assumption based on data used to prepare the *Typical Electricity Customers 2014 – Information Paper* when Aurora Energy offered T41 as a hot water only tariff. The data showed that usage on a hot water only tariff was around two thirds of the usage on a heating and hot water tariff (formally Tariff 42). Based on that information, the Regulator reduced the usage for hot water only tariffs by a third (rounded to the nearest hundred kWh) and increased usage on the general tariff so that total usage remained the same.

Table 2 shows the outcome from applying these assumptions. The assumed total usage has not changed from the assumptions outlined in Table 1.

Table 2 Electricity usage assumptions where off-peak or controlled load tariff is for hot water only

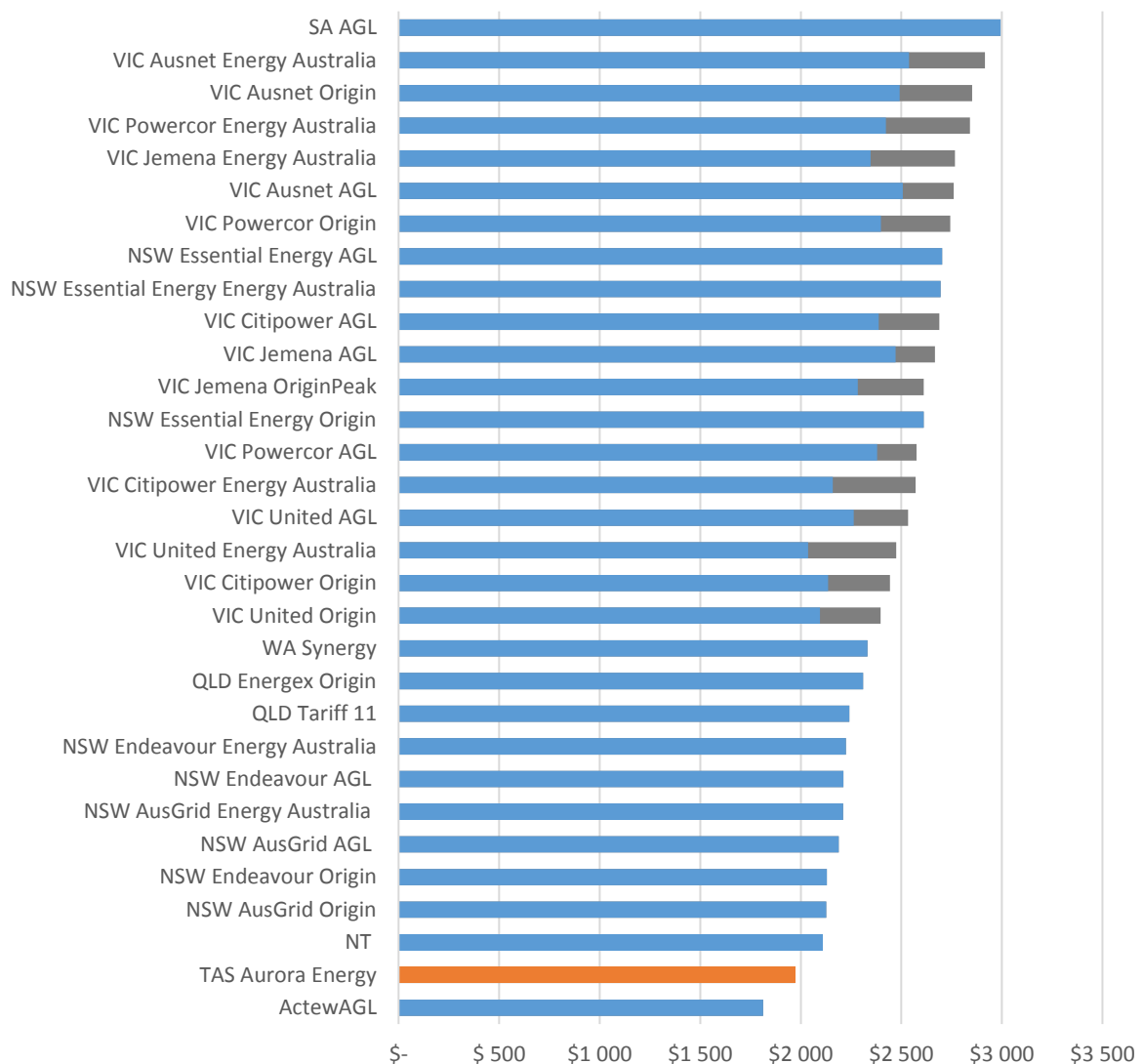
	Off-peak / Controlled load usage for hot water only
<i>Residential comparison</i>	
General usage (kWh)	4 800
Off-peak / Controlled load usage	2 700
Total usage	7 500
<i>Residential Concession comparison</i>	
General usage	4 500
Off-peak / Controlled load usage	1 900
Total usage	6 400

Since there are several tariffs with altered assumptions, the Regulator has included the full list of the tariffs used for the comparisons in Appendix 1.

## Residential electricity price comparison

Chart 1 compares the annual electricity bill for residential customers with the notional bills for residential customers in other jurisdictions if they were to use the same amount of electricity as a Tasmanian Typical Customer. The grey component shows the impact of any price increases since the August 2017 comparison.

Chart 1 Residential electricity comparison

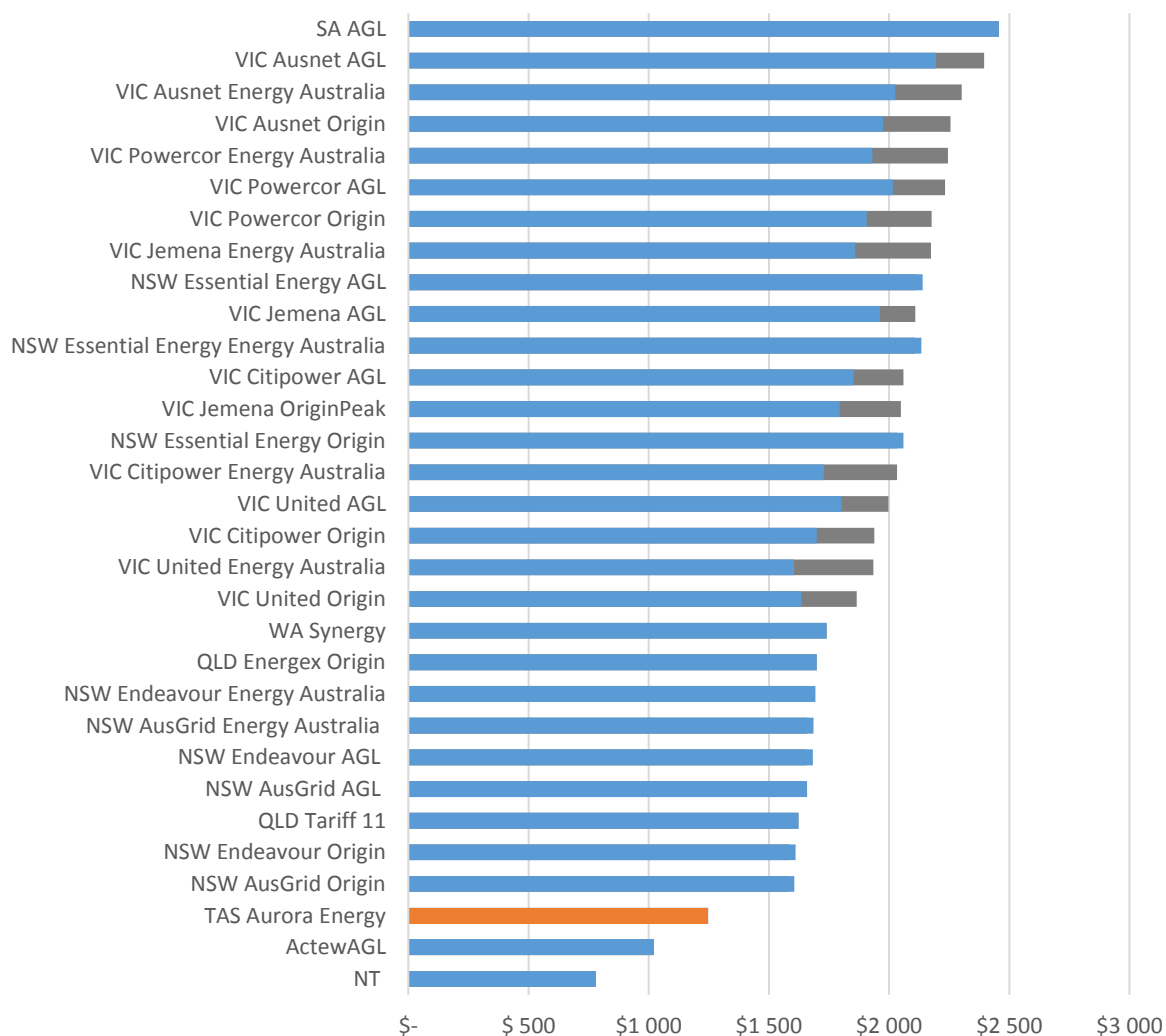


When making comparisons readers should note that, while annual bills for a Tasmanian Typical Customer are relatively low, customers in the more expensive jurisdictions according to this comparison, such as New South Wales and South Australia, have significantly lower electricity usage than a Tasmanian Typical Customer. Moreover, many customers in these jurisdictions are likely to be on market contracts, which may provide cheaper prices than standing offer prices.

## Residential electricity with concession comparison

Chart 2 compares the annual electricity bill for residential customers receiving a concession discount with the notional bills for customers in other jurisdictions if they were to use the same amount of electricity as a Tasmanian Typical Customer. The grey component shows the impact of any price increases since the August 2017 comparison.

Chart 2 Residential electricity comparison (with concession)



According to this comparison, electricity customers with concession discounts in the Northern Territory<sup>5</sup> 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, this discount is applied to customers’ electricity bills. The Regulator therefore applied the full discount for the comparison shown in Chart 2, resulting in lower bills for Australian Capital Territory customers.

<sup>5</sup> The August 2017 report showed the ACT with the lowest bill for this comparison. However, in preparation of this report an error was corrected which resulted in the NT having the lowest bill.

## Business electricity comparison

Chart 3 compares the annual electricity bill for small business customers with the notional bills for customers in other jurisdictions if they were to use the same amount of electricity as a Tasmanian Typical Customer. The grey component shows the impact of any price increase since the August 2017 comparison.

Chart 3 Business electricity comparison

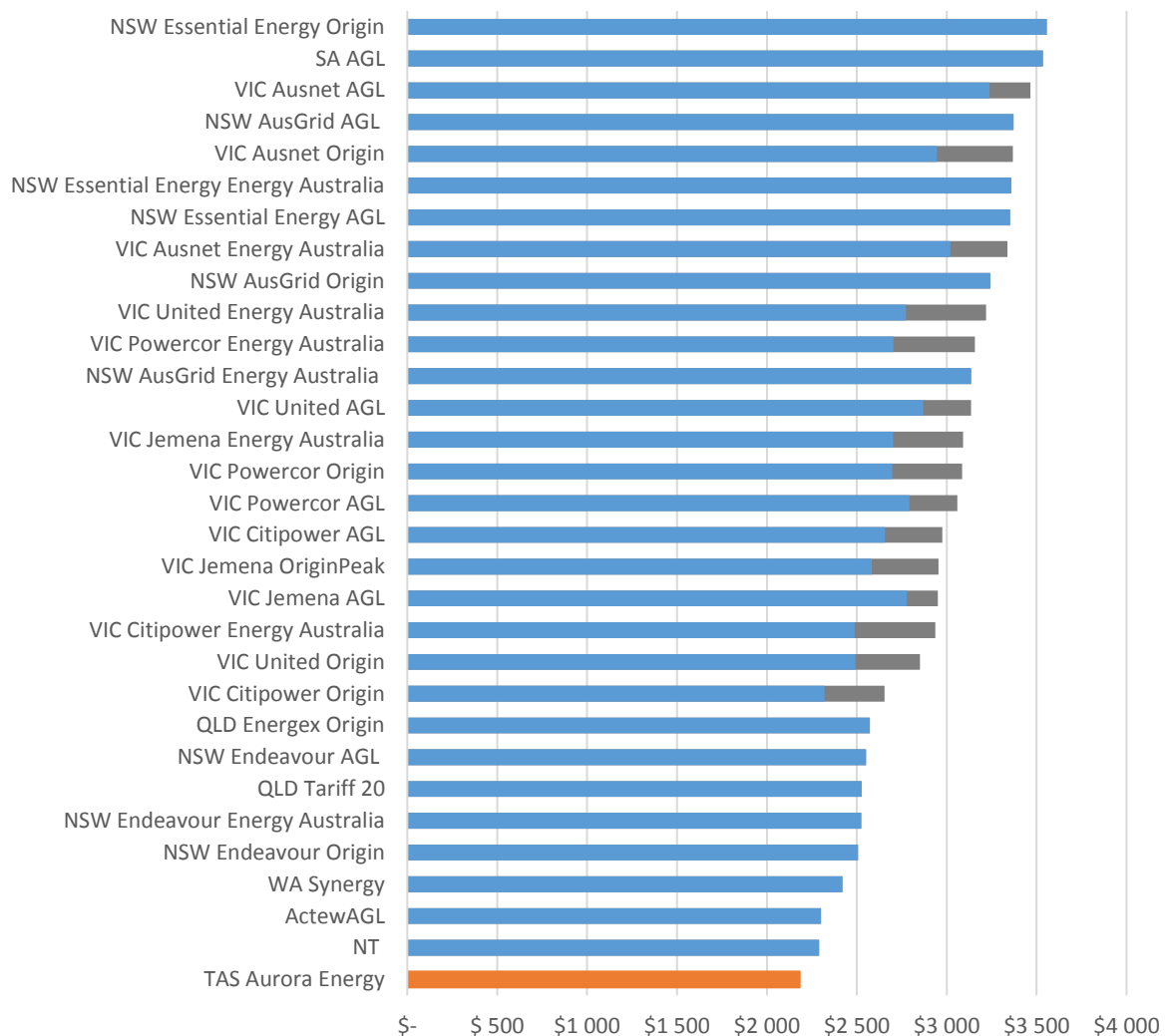


Chart 3 shows that business customers in Tasmania currently have the lowest annual bills of any Australian jurisdiction. Business customers in the New South Wales Essential Energy/Origin region have the highest annual bills. The Regulator notes again though that many business electricity customers in other jurisdictions are likely to be on market contracts rather than paying standing offer prices.



## 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 usage in each jurisdiction as at 30 June 2016 as set out in Table 3.

Table 3 AER benchmarked gas usage

Jurisdiction	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 3, 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<sup>6</sup>. 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 12 823 residential retail customers (as at 30 June 2017), the economies of scale that are prevalent in most jurisdictions do not exist in Tasmania.

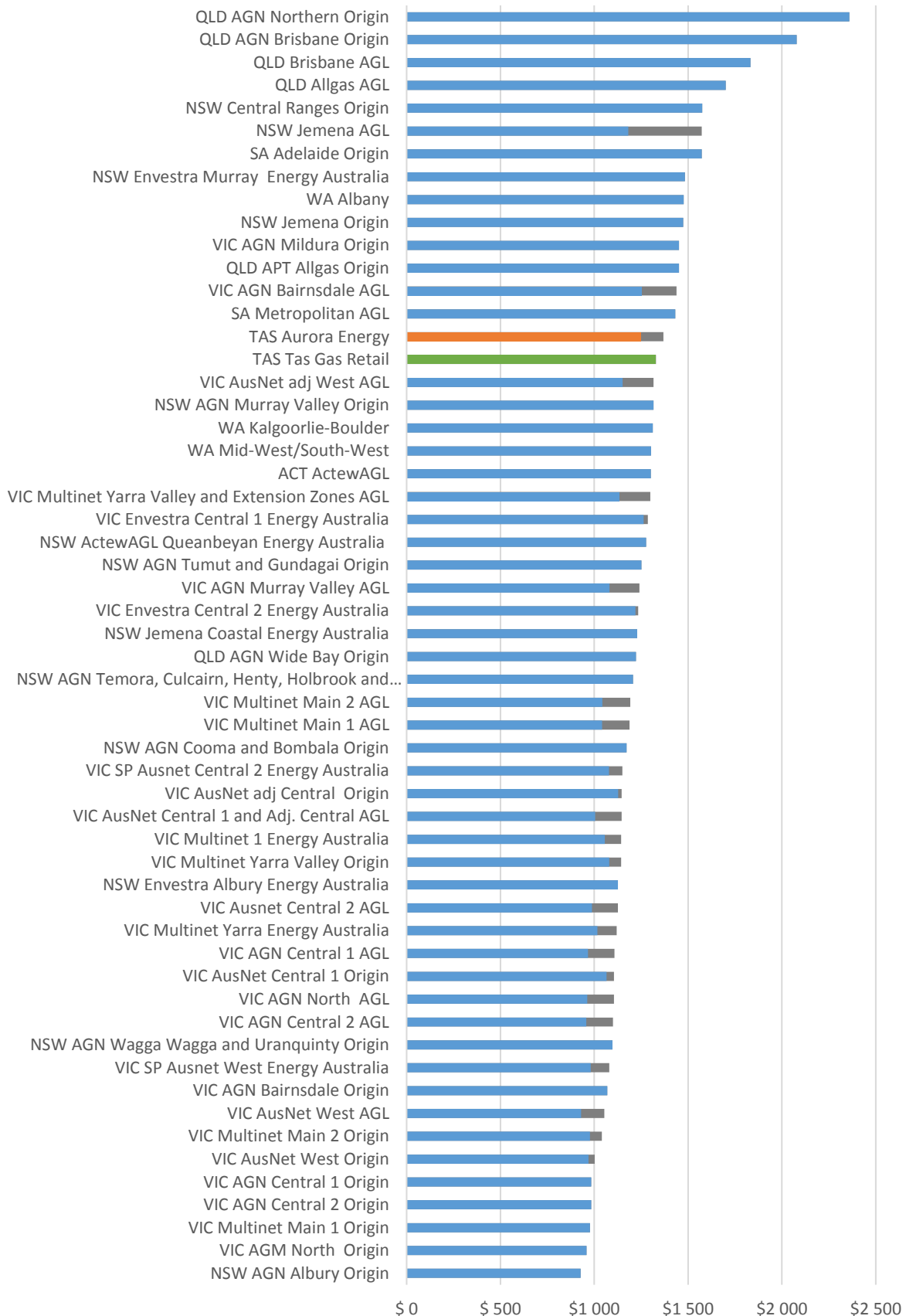
## Residential gas price comparison

This comparison applied the general tariffs (see Appendix 2) to the average usage rates for Tasmanian residential gas customers discussed above. Chart 4 shows the relative annual gas bills for a customer using 30 000 MJ per year across Australian jurisdictions and gas pricing areas. The grey component shows the impact of any price increase since the August 2017 comparison.

Chart 4 also shows that, based on an annual usage of 30 000 MJ, bills for both Tas Gas Retail and Aurora Energy residential gas customers are slightly above average compared to customers in other Australian jurisdictions. Queensland customers pay considerably more than the average comparison bill at this usage level. However, Table 3 shows that the AER's benchmark usage level for Queensland gas customers is 10 000 MJ, much lower than the usage level applied for this comparison.

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

Chart 4 Residential gas annual cost comparison

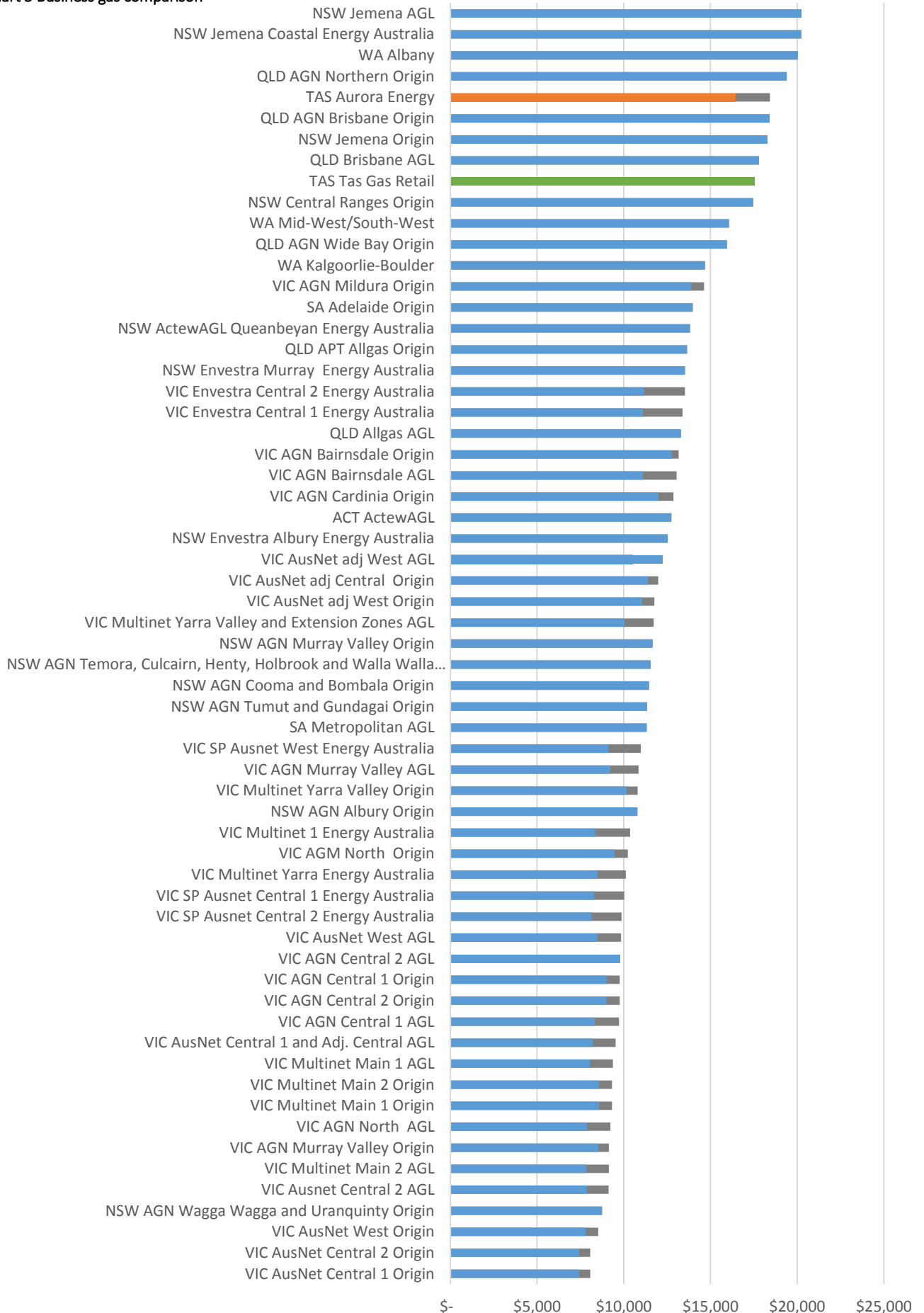


## Business gas price comparison

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.

Chart 5 (see page 12) shows the relative annual gas bills for a typical business customer across the different Australian jurisdictions and gas pricing areas. The grey component shows the impact of any price increase since the August 2017 comparison. 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 1 035 non-residential/commercial gas customers in Tasmania as at 30 June 2017.

Chart 5 Business gas comparison



## Appendix 1: Residential electricity tariffs used in comparisons

	General Tariff only	General Tariff with Hot water and space heating	General Tariff and Hot water only
<i>Australian Capital Territory</i>			
ActewAGL			✓
<i>New South Wales</i>			
AusGrid AGL		✓	
AusGrid Energy Australia		✓	
AusGrid Origin		✓	
Endeavour AGL		✓	
Endeavour Energy Australia		✓	
Endeavour Origin		✓	
Essential Energy AGL		✓	
Essential Energy Energy Australia		✓	
Essential Energy Origin		✓	
<i>Northern Territory</i>			
Standard	✓		
<i>QLD</i>			
Energex Origin		✓	
Ergon		✓	
<i>South Australia</i>			
AGL			✓
<i>Victoria</i>			
Ausnet AGL	✓		
Ausnet Energy Australia			✓
Ausnet Origin			✓
Citipower AGL	✓		
Citipower Energy Australia			✓
Citipower Origin Peak			✓
Jemena AGL			✓
Jemena Energy Australia			✓
Jemena Origin			✓
Powercor AGL	✓		
Powercor Energy Australia			✓
Powercor Origin			✓
United AGL			✓
United Energy Australia		✓	
United Origin		✓	
<i>Western Australia</i>			
Synergy <sup>7</sup>	✓		

<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\\_Utillities\\_Office/Electricity\\_industry/Electricity\\_industry.aspx](http://www.treasury.wa.gov.au/Pages/Public_Utillities_Office/Electricity_industry/Electricity_industry.aspx)

<sup>7</sup> Synergy's Hot Water Tariff B1 has been removed from the comparison on the understanding that very few WA customers use that tariff and it is no longer available to new customers.

## 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.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](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-abe8-42d40becf1cd](http://www.concessions.wa.gov.au/Pages/SearchResults.aspx?Category=Household_Bills_and_Appliances&termId=dd5d08ea-85ad-4818-abe8-42d40becf1cd)

