



**Comparison of Australian
Standing Offer Energy Prices
as at 1 July 2015**

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Office of the Tasmanian Economic Regulator
Level 3, 21 Murray Street, Hobart TAS 7000
GPO Box 770, Hobart TAS 7001
Phone: (03) 6166 4422

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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 July 2015.¹ The report also compares the electricity prices paid by concession customers across Australian jurisdictions under a regulated tariff or standing offer contract, as at 1 July 2015.

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
- despite increases in daily fixed charges from 1 January 2015, 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 compares prices paid by residential and small business customers in Tasmania and mainland jurisdictions, and includes a comparison of prices taking into account concessions available in each jurisdiction as at 1 July 2015.

In Tasmania, full retail competition for electricity commenced on 1 July 2014, with all customers on mainland Tasmania (including Bruny Island) having the option of entering into a market retail contract with Aurora or another retailer. At the time of writing, the Regulator understands that Aurora is yet to offer market contracts to residential customers, apart from its Aurora Pay As You Go product, and there are no other retailers offering residential market contracts. As at 30 June 2015, there were 204 936 residential and 32 885 business standing offer customers.

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 compares prices in Tasmania and mainland jurisdictions for both residential and business consumers as at 1 July 2015. 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 where gas and/or electricity retail markets are fully contestable, customers may have access to cheaper prices than those available under regulated standing offers.

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 Prepayment_price_comparison_report_AuroraPayAsYouGo_August_2015Version2.pdf

2 METHODOLOGY

The Regulator has reviewed the methodology used to prepare its standing offer price comparison reports. Whilst the Regulator has decided to leave the price comparison methodology unchanged, the number of price inputs used has increased and some base assumptions have been modified. Due to these changes, the findings of this report are not directly comparable to the findings in earlier comparison reports and readers should not attempt to make such comparisons. In saying this, the outcomes reflected in this report are not dissimilar to those from previous standing offer price comparison reports.

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. This methodology has not changed from previous reports, however the assumptions for the comparisons have been modified as detailed in sections 3.1, 3.4, 4.1 and 4.3 of this report.

⁴ Depending on 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 2013-14* (Retail Energy Market Report), the Australian Energy Regulator (AER) has benchmarked the consumption of electricity in each jurisdiction for Low income and for Middle and High income customers in each NEM jurisdiction. These benchmarked consumption levels are included in Table 3.1.

Table 3.1 AER benchmarked electricity consumption by jurisdiction

Jurisdiction	Benchmarked annual consumption (kWh)	
	Low income	Middle and High income
Queensland	5 000	6 800
New South Wales	5 300	6 700
Victoria	4 700	5 400
South Australia	5 000	6 000
Tasmania	8 100	9 400
Australian Capital Territory	7 000	8 000

In addition to electricity consumption the types and combinations of tariffs available also need to be considered. In Tasmania, the information from the Regulator's *Typical Electricity Customers Information Paper, May 2014*⁵ (Typical Customers Paper) as reproduced in Table 3.2 shows standing offer tariff combinations and the approximate proportion of customers on each combination.

Table 3.2 Tasmanian standing offer tariff combinations and proportion of customers on each combination

Tariff combination	% of customers
Tariff 31 (light and power) (T31) and Tariff 42 (Hot Water and Space Heating) (T42)	55
Tariff 31 and Tariff 41 (Hot Water) (T41)	31
Tariff 31	6
Tariff 31, Tariff 41 and Tariff 61 (OffPeak) (T61)	3
Tariff 31, Tariff 42 and Tariff 61	3
Tariff 31 and Tariff 61 ⁶	2

⁵ Typical_Electricity_Customer_Information_Paper_Web_version_140603.pdf

⁶ 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.

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

Table 3.3 Tasmania Typical Customer standing offer tariff combinations and consumption levels

Standing offer tariff combinations	Consumption (kWh)				
	T31	T41	T42	T61	Total
Tariff 31 (medium)	2 897				2 897
Tariffs 31/41 (low)	1 883	1 592			3 475
Tariffs 31/41 (medium)	3 580	2 825			6 405
Tariffs 31/41 (high)	5 850	4 728			10 578
Tariffs 31/42 (low)	2 074		2 737		4 811
Tariffs 31/42 (medium)	3 432		4 878		8 310
Tariffs 31/42 (high)	5 420		7 865		13 285
Tariffs 31/41/61 (medium)	4 025	2 915		2 193	9 133

From the information in Table 3.3, the Regulator has assumed consumption levels together with the relative consumption ratios for each tariff. These assumptions are summarised in Table 3.4.

Table 3.4 Summary of consumption ratio assumptions used for residential electricity comparisons

Tariff combinations	Assumed consumption ratios			
<i>Tasmania</i>	<i>General</i>	<i>Heating Discount</i>	<i>Controlled Load</i>	<i>Total</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%

With respect to consumption levels, this report uses a range of 2 500kWh to 14 000 kWh based on the consumption levels set out in Table 3.3. This is in contrast to previous reports that used a range of between 2 000kWh to 30 000kWh.

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's Tariff 31/41/61 consumption split, at 25 per cent of total consumption.

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's Tariff 61.

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 2015-16 financial year.

The most notable change in this report is the increase in the number of individual price inputs. As an example, previous reports used around 20 price inputs for the residential electricity comparison and did not include all prices applying in pricing zones across Australia. This report compares 61 standing offer prices, giving a broader representation of prices across Australia.

For some interjurisdictional pricing zones, there are multiple retailers whose prices could potentially be used in the comparison. In selecting the most representative retailer in each jurisdiction, the Regulator referred to Chapter 5 of the AER's Retail Energy Market report⁷ which outlines the respective retailers' electricity market shares. To include prices that the majority of customers would likely pay in each pricing zone, the market dominant retailer in each jurisdiction was then selected. 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 previous reports, 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.

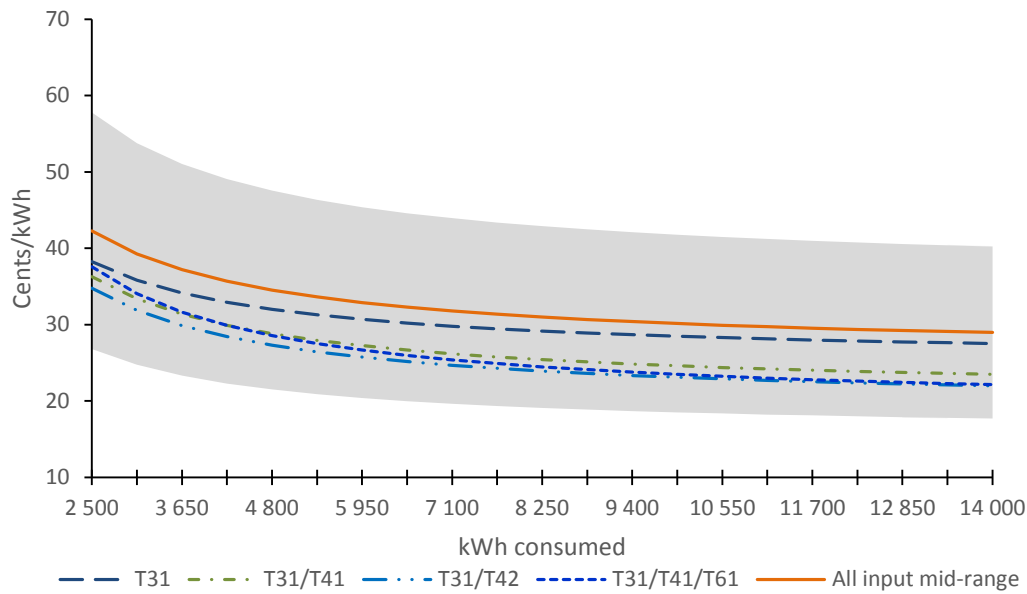
3.2 Residential comparison

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 July 2015 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, it should be noted that consumption for a typical customer on Tariff 31 only with medium consumption (ie approximately six per cent of all Tasmanian standing offer residential customers) 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.

⁷ Chapter 5 Energy retail markets A4_0.pdf

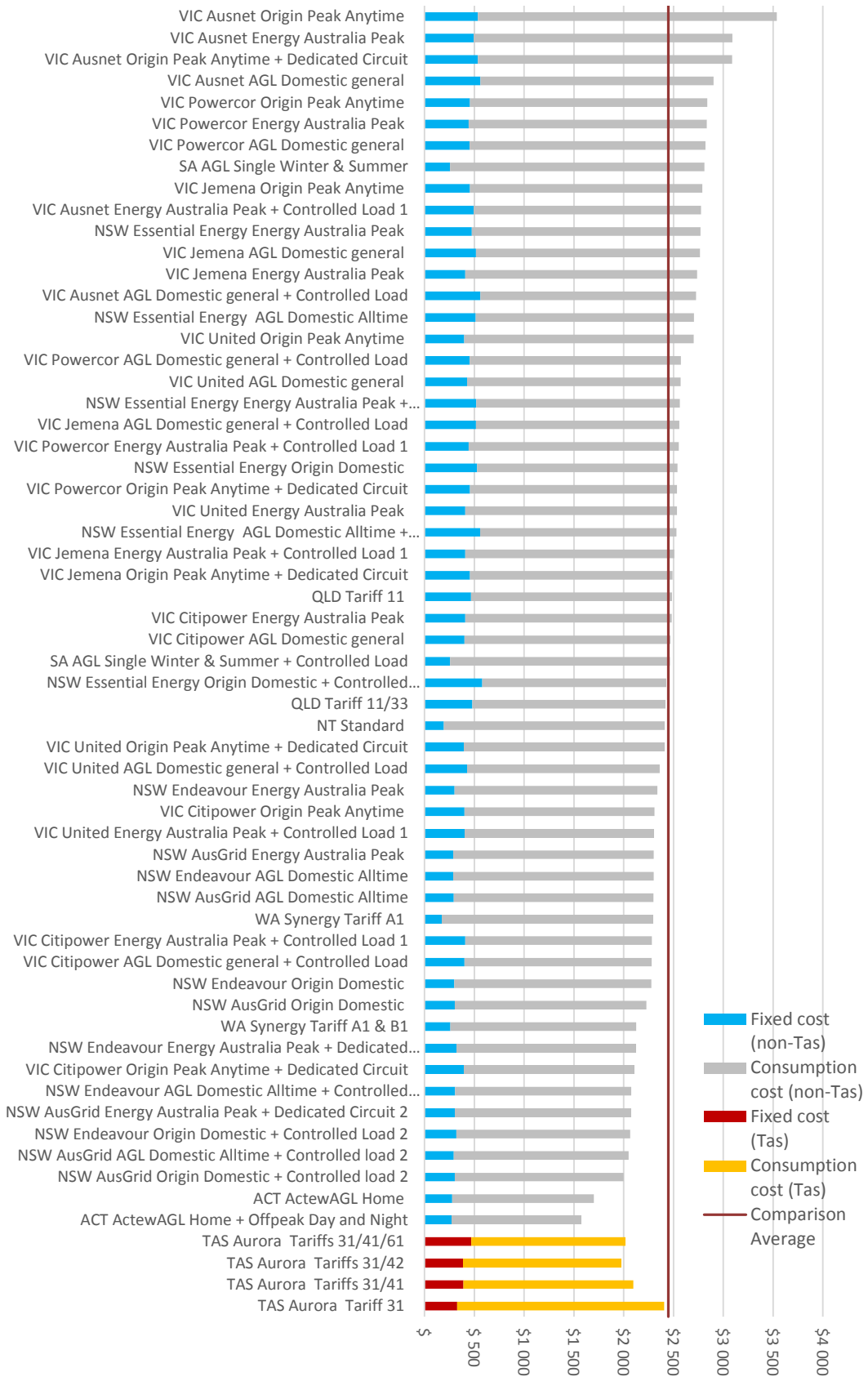
Figure 3.1 Residential electricity prices for non-concession customers (cents per kWh)

As shown in Table 3.3, 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 8 250 kWh. Figure 3.2 shows the annual electricity costs for all pricing zones if 8 250 kWh was consumed per year, split between fixed and variable components and also compares these costs to the comparison average⁸. 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 the consumption of 8 250kWh per year. 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 4 700 kWh and 5 400 kWh of electricity per annum).

⁸ 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

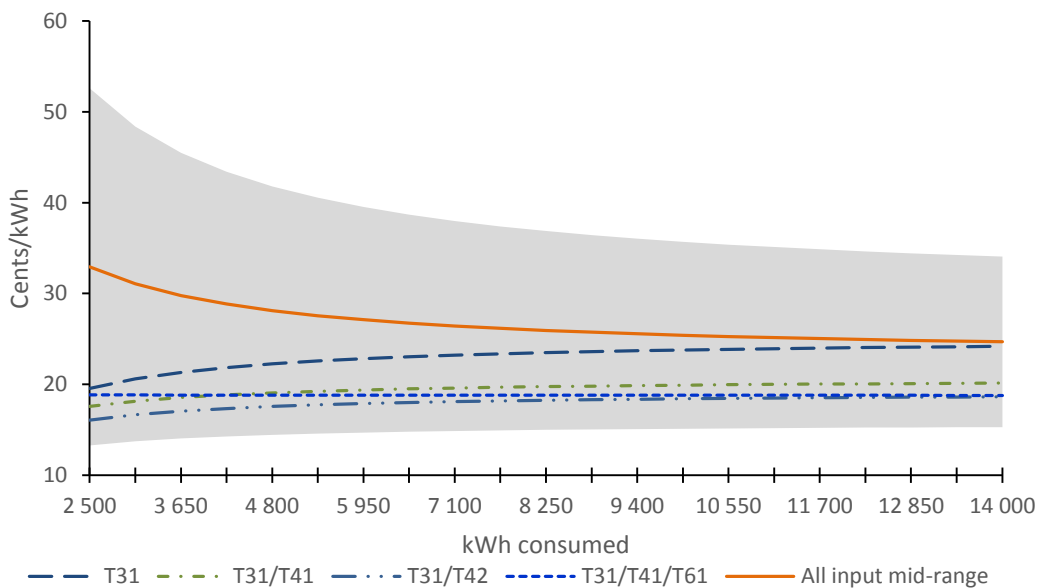
There are a range of concession schemes available around Australia that reduce electricity charges for pensioners and other concession card holders. From 1 July 2015, Tasmanian Pensioner Concession Card and Health Care Card holders receive a rebate of 128.161 cents per day, an annual discount of \$467.79. The concession discounts applied in this report are included in Table 3.5.

Table 3.5 Concession discounts applied for comparison

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	\$163.70
WA	\$227.14

Figure 3.3 shows the range of standing offer prices available to residential customers across Australia, taking into account any concessions available as at 1 July 2015. 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, it should be noted that 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

Similar to the approach adopted for the residential price comparison, the number of price inputs adopted for the business price comparison has also been increased (in this case, from 12 to 30). In selecting the regulated business prices for this comparison, the Regulator has adopted the regulated business prices offered by the same retailers that it selected for the residential price comparison.

The information from the Typical Customers Paper has been reproduced in Table 3.6 and shows that almost all Tasmanian small business customers were on Tariff 22. On this basis, the report compares prices for Tariff 22 with comparable business rates available in pricing zones in other jurisdictions.

Table 3.6 Tasmanian business standing offer tariff combinations and percentage of customers on each combination

Tariff combination	% of customers
Tariff 22	95.0
Tariff 22 and Tariff 43	3.9
Tariff 22 and Tariff 61	0.8
Tariff 22, Tariff 43 and Tariff 61	0.3

The Typical Customers Paper also details the typical customer consumption for Tariff 22 only, as reproduced in Table 3.7.

Table 3.7 Tariff 22 customers – consumption by usage category

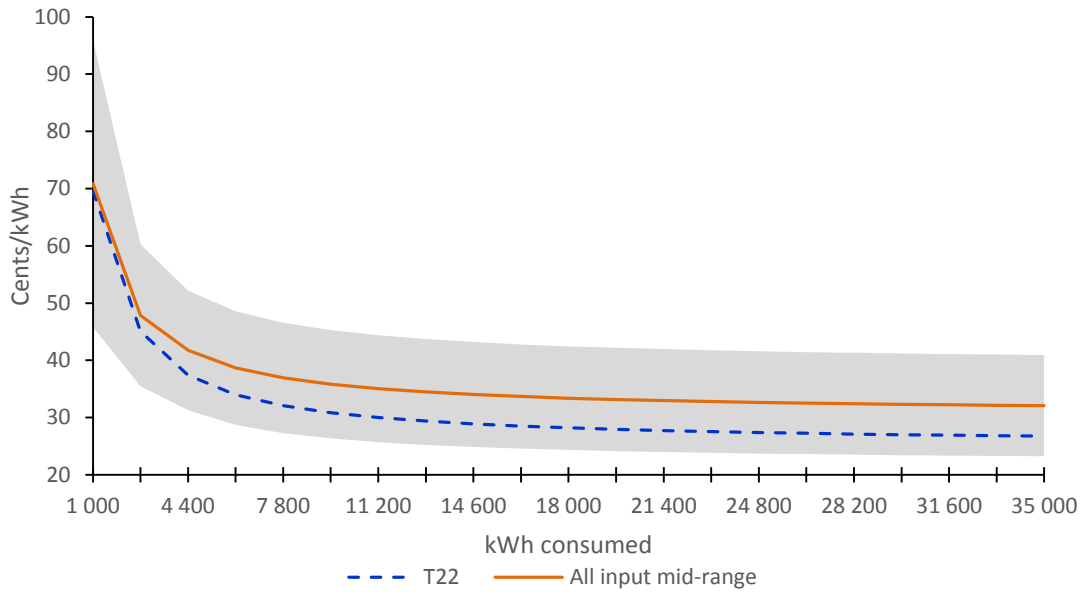
Usage category	Consumption (kWh)
Very low	241
Low	1 344
Medium	4 398
High	11 349
Very high	33 959

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 3.7. This is in contrast to previous reports that used a range from 1 000 kWh to 40 000 kWh.

The standing offer low voltage demand tariff comparisons have been removed from this report due to the relatively small number of customers on these tariffs. That is, as at 30 June 2015, of the 32 885 small business customers on standing offer tariffs, only 122 customers were on standing offer low voltage demand tariffs.

3.5 Business Comparison

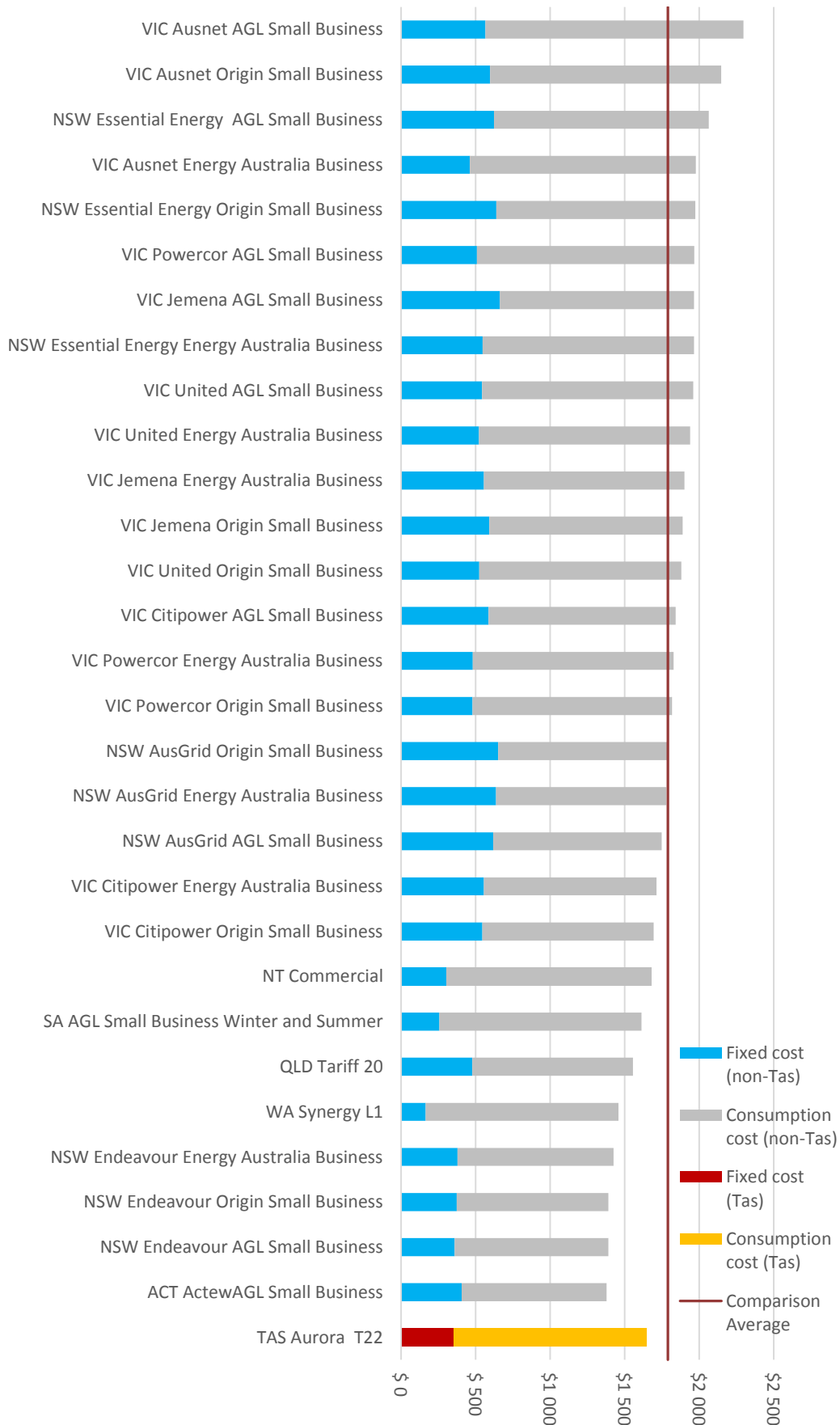
Figure 3.4 shows the price in cents per kWh of consumption by small business customers on standing offer tariffs across Australia (shaded area) as at 1 July 2015 and shows where Tasmanian Tariff 22 prices sit within that range.

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 set out in Table 4.1.

Table 4.1 AER benchmarked gas consumption by jurisdiction

Jurisdiction	Benchmarked annual consumption in megajoules (MJ ⁹)
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.

As for the residential electricity price comparison, the number of price inputs has been increased for the residential gas price comparison (in this case from 40 to 56).

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

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

4.2 Residential comparison

Both Tasmanian retailers increased their gas prices from 1 January 2015. For Tas Gas residential customers, the daily fixed charge increased from 21.76 cents per day to 46.2 cents per day (an increase of 112 per cent), whilst the retail price of gas increased from 3.038 per MJ to 3.128 cents per MJ. For Aurora residential customers, the daily fixed charge increased from 21.5 cents per day to 46.2 cents per day (an increase of 115 per cent) with the retail price of gas increasing from 3.106 cents per MJ to 3.12 cents per MJ. Despite the considerable increase in daily fixed charges, the daily fixed charges are still low compared to most offerings by mainland retailers.

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 July 2015 and reflects 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)

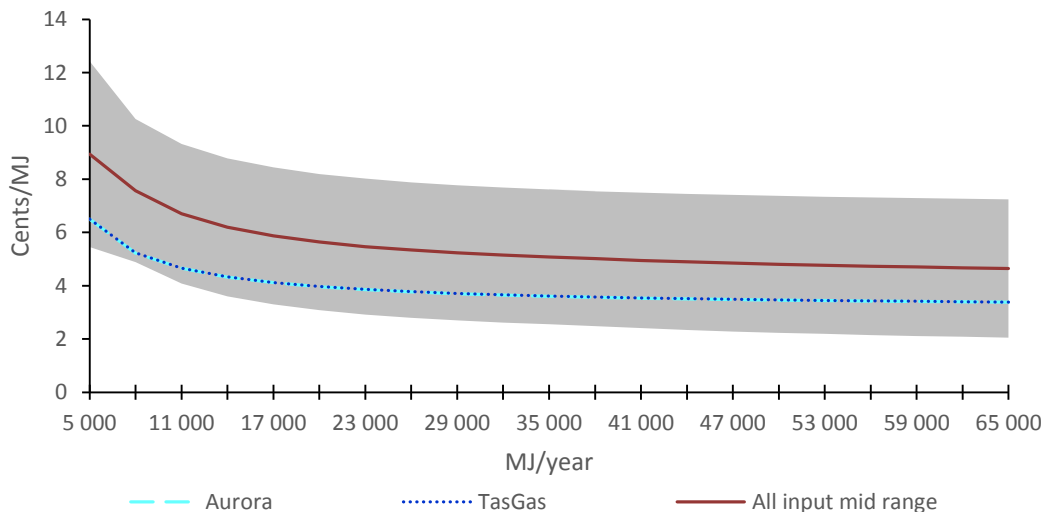
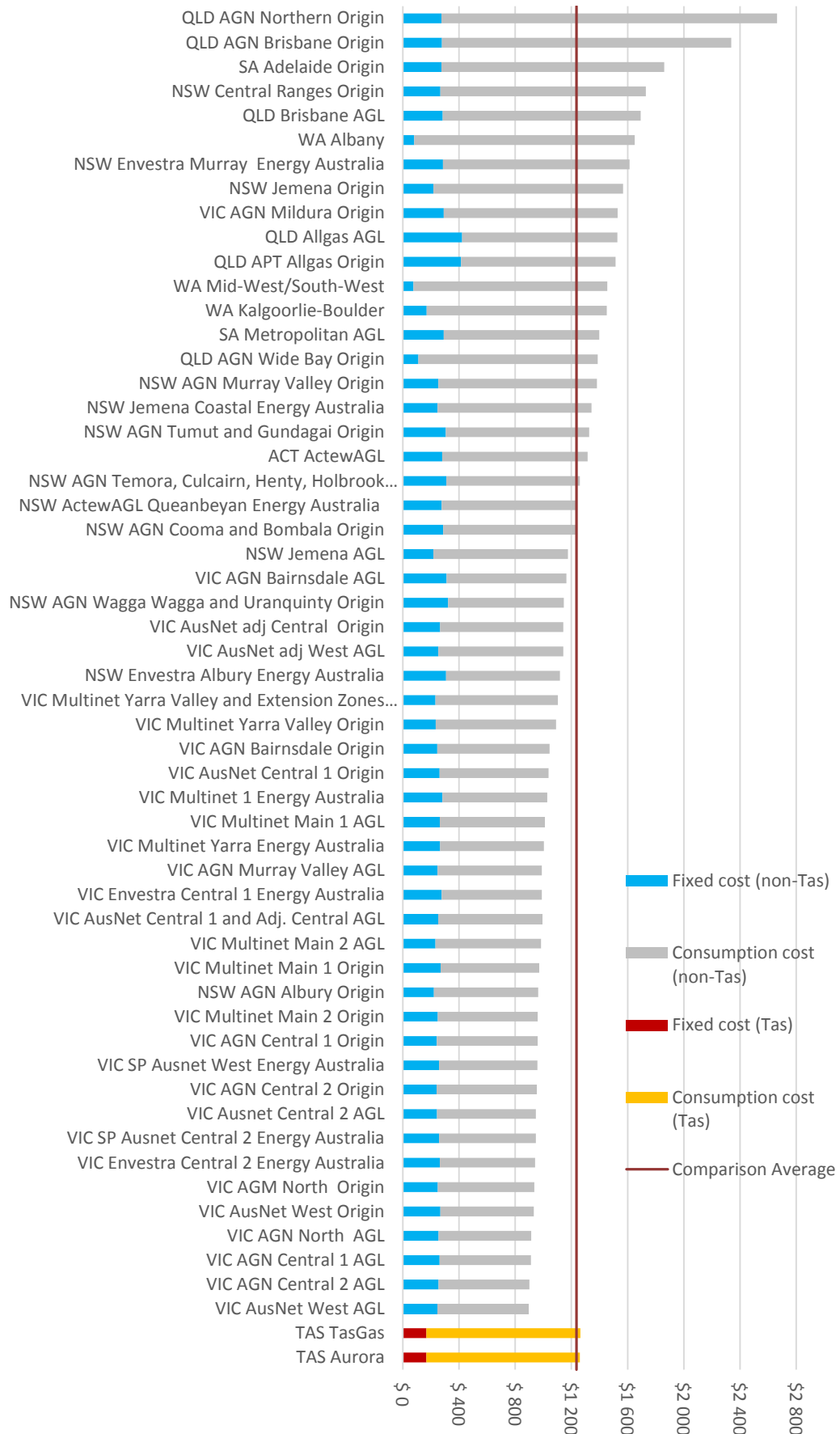


Figure 4.2 presents the annual gas costs for all pricing zones at 35 000 MJ, including the fixed and variable components and also the comparison average cost. At that consumption level, Figure 4.2 shows that Tasmanian customers pay slightly more than the average of comparison costs. It should be noted 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

Similar to the addition of a greater number of price inputs for the residential and business electricity price comparison and residential gas price comparison, the number of price inputs has been increased for the purposes of comparing business gas prices (in this case from around 40 to 61). 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 July 2015 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)

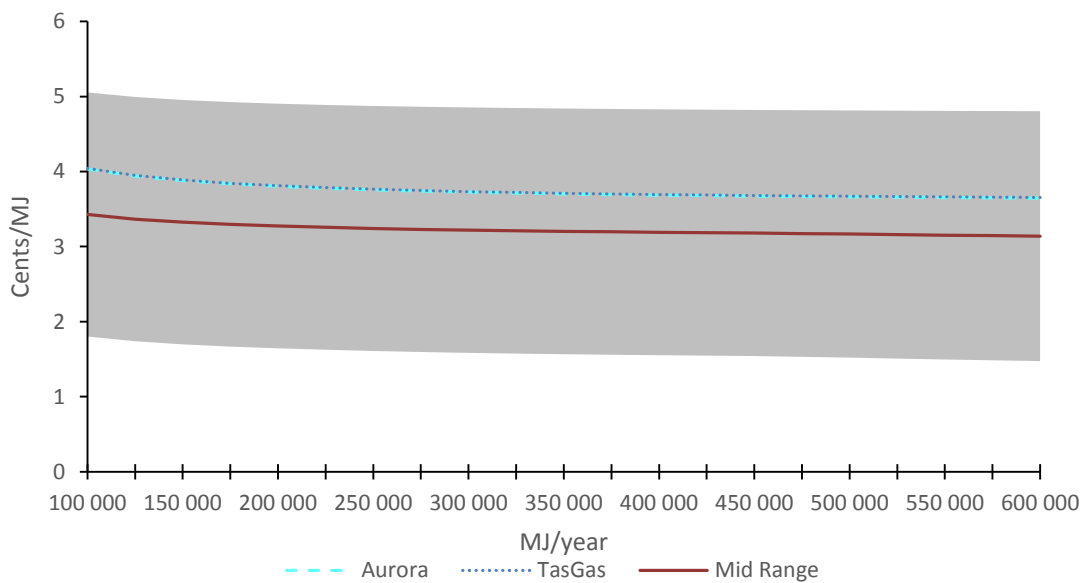
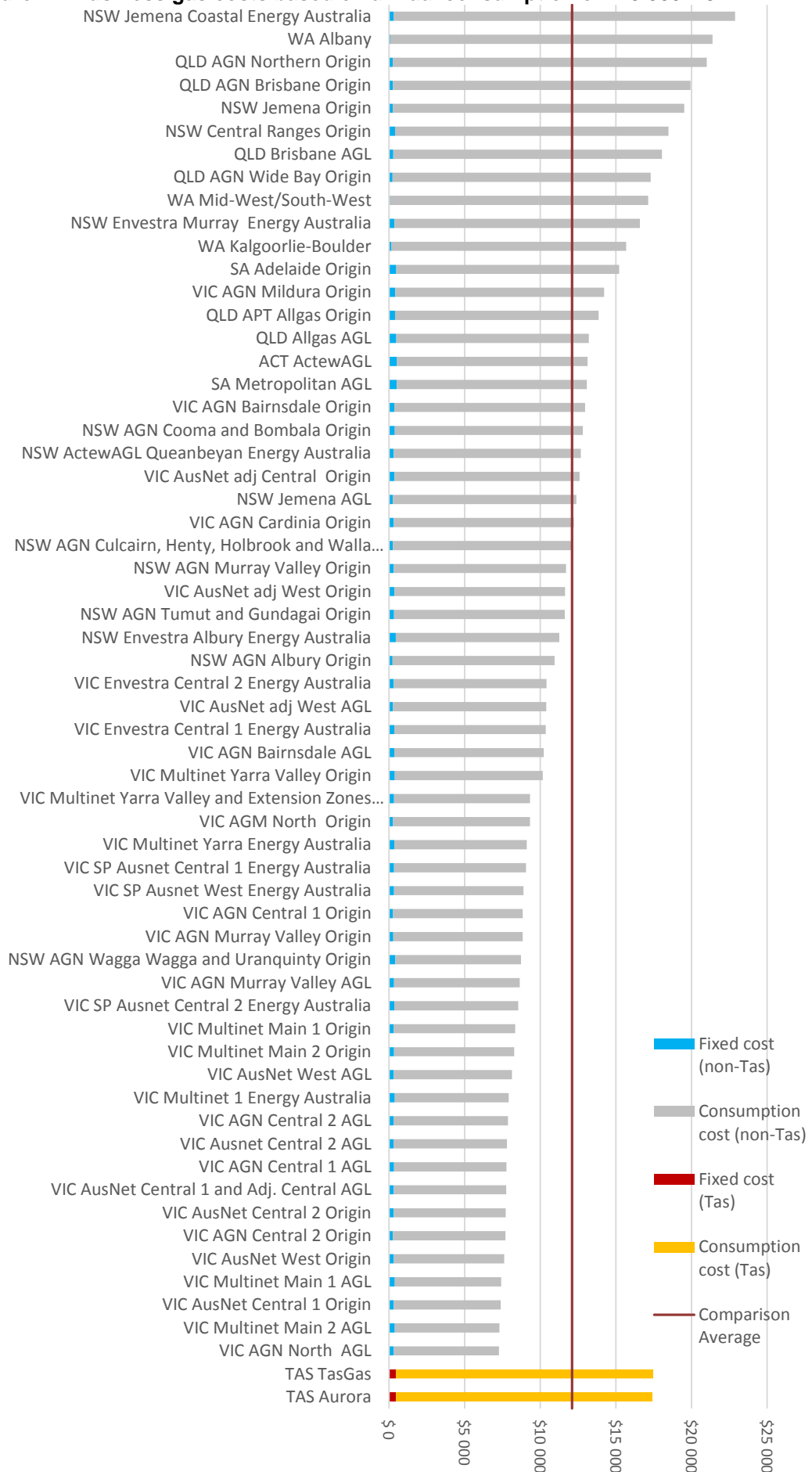


Figure 4.4 shows the annual gas costs for all pricing zones at 475 000 MJ, including the fixed and variable components and also the comparison average cost. Business customers in Tasmania consuming around 475 000 MJ per year (just above the Tasmanian average) pay well above the comparison average.

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://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/Consumer/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
