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**An Update Report
on the Queensland
Tariff-Tracking
Project**

Queensland Energy Prices July 2015

May Mauseth Johnston
July 2015



Disclaimer

The energy offers, tariffs and bill calculations presented in this report and associated workbooks should be used as a general guide only and should not be relied upon. The workbooks are not an appropriate substitute for obtaining an offer from an energy retailer. The information presented in this report and the workbooks is not provided as financial advice. While we have taken great care to ensure accuracy of the information provided in this report and the workbooks, they are suitable for use only as a research and advocacy tool. We do not accept any legal responsibility for errors or inaccuracies. The St Vincent de Paul Society and Alvis Consulting Pty Ltd do not accept liability for any action taken based on the information provided in this report or the associated workbooks or for any loss, economic or otherwise, suffered as a result of reliance on the information presented. If you would like to obtain information about energy offers available to you as a customer, go to AER's 'Energy Made Easy' website or contact the energy retailers directly.

Queensland Energy Prices July 2015 An Update Report on the Queensland Tariff-Tracking Project

**May Mauseth Johnston, July 2015
Alvis Consulting Pty Ltd**



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The views expressed in this document do not necessarily reflect the views of Energy Consumers Australia.

Note regarding the Repeal of the carbon tax bill

On 23 June 2014 the Government reintroduced the Clean Energy Legislation (Carbon Tax Repeal) Bill 2013 [No. 2] in the House of Representatives. The bill repeals the six Acts that established the carbon pricing mechanism. The Senate passed the bill on 17 July 2014 and retailers were required to publish new, carbon exclusive, prices and backdate these to 1 July.

As the methodology of the Vinnies' Tariff-Tracking project is based on providing annual price updates as of July every year, the July 2014 tariffs collected were carbon inclusive. As such, the main analysis presented in this report is based on July 2014 prices (carbon inclusive) and July 2015 prices (carbon exclusive). However, we have assessed the impact of the repeal of the carbon tax, compared to other factors, by using separate sources to estimate bills prior to the repeal, after the repeal and as of July 2015.¹

¹ Alviss Consulting collected and analysed carbon exclusive prices as of October 2014 for two separate projects: *Tax on, Tax off: Electricity prices before and after the repeal of the carbon tax*, November 2014 (electricity prices only) and *Residential electricity and gas prices from January 2012 to January 2015*, A report to the ACCC, March 2015.

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The Queensland Tariff-Tracking Project: Purpose and outputs

Under retail price regulation arrangements, tariff tracking and tariff analysis are not usually prioritised activities amongst advocates and consumer representatives. In a deregulated environment, however, it will become increasingly evident that advocates, as well as consumers themselves, need improved awareness and understanding of changing tariff offers – both in terms of changes to price as well as changes to tariff shapes. Queensland was initially set to deregulate electricity retail prices from 1 July 2015 but in April 2015 the Queensland Government announced a 12 month hold on the previous Government’s decision in order to await the outcome of a review by the Queensland Productivity Commission into electricity prices.² The Queensland Tariff-Tracking tool will hence provide consumer representatives with an opportunity to inform the community about price and market developments, as well as making recommendations to governments and regulators about the adequacy of the consumer protection framework and market information prior to the deregulation.

Only by improving this awareness and understanding can we ensure that the regulatory framework (for example, in relation to price information and disclosure) is adequate and promote a competitive retail market. Furthermore, this increased knowledge will allow for close monitoring of the impact price and tariff changes have on households’ bills and the affordability of this essential service.

This project has tracked electricity and gas tariffs in Queensland from July 2009 to July 2015, and developed a spreadsheet-based tool that allows consumer advocates to build on the initial analysis and continue to track changes as they occur. The first report for the Queensland Tariff-Tracking project was published in August 2012 and this is the first up-date report focusing on price changes that have occurred over the last year.

We have developed four workbooks that allow the user to enter consumption levels and analyse household bills for regulated gas and electricity offers from July 2009 to July 2014, as well as published electricity and gas market offers post the price resets in July 2012, 2013, 2014 and 2015.³

Workbook 1: Regulated electricity offers July 2009-July 2015

Workbook 2: Standard gas retail offers July 2009-July 2015⁴

² Queensland Government, The Honourable Curtis Pitt, Deregulation deferred as Productivity Commission conducts power price probe, Media statement, 28 April 2015.

³ All market offers are published offers and do not include special offers that retailers market through door-knocking campaigns or brokers. We use the retailers’ own websites to collect market offer for the Queensland Tariff-Tracking tool. If the retailer has more than one market offer we use the offer that produces the lowest annual bill and/or the offer the retailer promotes as it’s best offer. The Tariff-Tracking tool does not include any additional discounts or bonuses but key market offer features are listed in the spreadsheets. This report contains analysis of some of those features.

⁴ Note: Queensland does not have regulated gas offers.

Workbook 3: Electricity market offers post July 2012, 2013, 2014 and 2015

Workbook 4: Gas market offers post July 2012, 2013, 2014 and 2015.

The four workbooks and the reports are available at the St Vincent de Paul Society's website: www.vinnies.org.au/Energy

1. Energy price changes from July 2014 to July 2015

In terms of general trends, the tariff analysis has found that:⁵

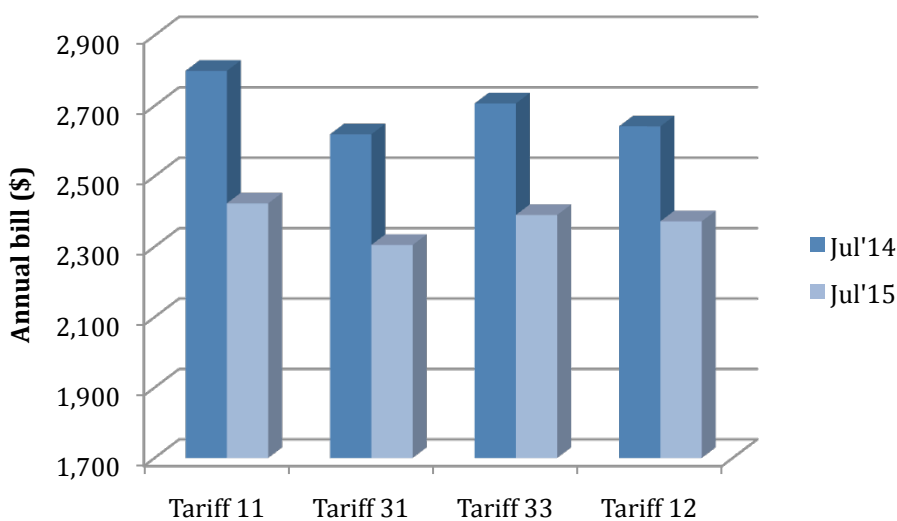
- Annual electricity bills for all-electric households on tariff 11 have typically decreased by around \$375 (or 13%) since July 2014. See chart 1 below.
- For customers on the Time of Use tariff (tariff 12), the annual bill has typically decreased by \$270 (or 10%) since July 2014. See chart 1 below.
- The repeal of the carbon tax has been the main contributor to the decrease in electricity prices in Queensland. The repeal reduced typical bills by \$230 while other factors, such as the Australian Energy Regulator's (AER) price determination for Queensland's network businesses, reduced the bills by approximately \$155. See chart 2 below.
- Annual gas bills for households in South Brisbane, Gold Coast, Toowoomba and Oakey with average consumption have increased by around \$15, or 2%, since July 2014. See chart 3 below.
- Annual gas bills for households in North Brisbane and Ipswich with average consumption, however, have decreased by the same amount (\$15 or 2%) since July 2014. See chart 4 below.
- None of the electricity market offers have published rates (not including discounts) that are lower than the regulated rates.⁶ Three retailers (Click, Lumo and Dodo) have rates that are higher than the regulated rates. See chart 7 in section 2.
- A household switching from the regulated electricity rate (Tariff 11) to the best market offer may save up to \$230 per annum. This saving is approximately half the saving that households could have achieved by switching last year. See section 2.
- However, as all retailers offer pay on time discounts, and many charge late payment fees, late paying customers switching from the regulated rates will be worse off on all market offers included in this analysis. A typical consumption household will on average end up paying \$60 more per annum than the regulated electricity rates if bills are paid late. This could be considered as a major disincentive for customers to engage with the competitive market. See table 5 in section 2.

⁵ These calculations are based the regulated offer for all-electric households using 8,000kWh per annum (thereof 15% off-peak for customers on tariff 31 or 33) and the average changes to gas offers based on customers using 10,000Mj per annum. Note that the July 2014 rates were carbon inclusive.

⁶ Based on regulated and market offer rates for Tariffs 11, 31 and 33.

- The difference between market offers is also significant. The difference between the best and the worst market offers is approximately \$210 for customers that always pay bills on time. See section 2.
- There has been a significant increase to the electricity supply charge. For tariff 11 the supply charge has increased by 36 cents a day (or 40%) in the last year. The current supply charge of 128 cents a day means that households pay \$470 per annum in fixed electricity charges. See section 3.
- The average gas supply charge is just over 114 cents/day in the APT distribution area and 77 cents/day in the Envestra (Brisbane North) pricing zone. This effectively means that South Brisbane households (APT zone) pay \$415 per annum in order to be connected to natural gas. See section 3.
- Dual fuel households in South Brisbane and the Gold Coast area will pay almost \$900 in fixed supply charges this year. See section 3.

Chart 1 Changes to annual electricity bills from July 2014 to July 2015, 8,000kWh per annum, GST inclusive⁷



⁷ These are the regulated rates. For Tariff 31 and 33, 15% of consumption has been allocated to off-peak rates. For Tariff 12, the allocations are: 20% peak, 55% shoulder and 25% off-peak.

Chart 2 Changes to annual electricity bills from July 2014 to July 2015, showing carbon inclusive (July 2014) and exclusive prices (October 2014 and July 2015)⁸

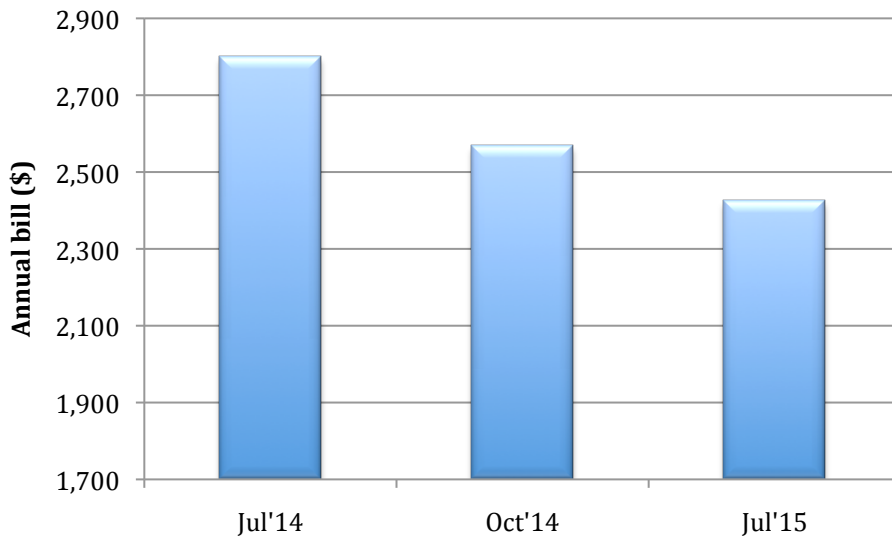
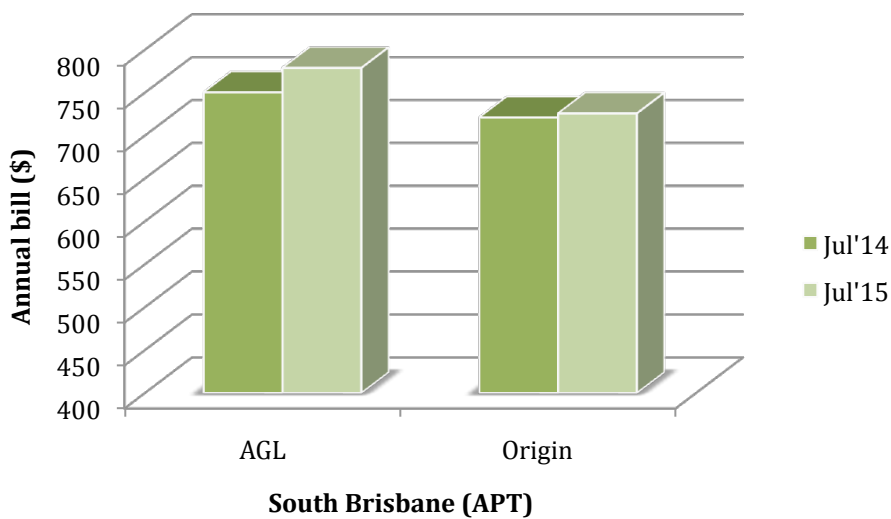


Chart 3 Changes to annual gas bills from July 2014 to July 2015, 10,000Mj - South Brisbane & South Queensland⁹



⁸ These are the regulated rates for Tariff 11 and based on households using 8,000kWh per annum (bills are GST inclusive). The October 2014 price is based on analysis presented in Alvis Consulting, *Tax on, Tax off: Electricity prices before and after the repeal of the carbon tax*, November 2014.

⁹ AGL and Origin's standard rates and customers using 10,000Mj per annum.

Chart 4 Changes to annual gas bills from July 2014 to July 2015, 10,000Mj - North Brisbane & Ipswich¹⁰

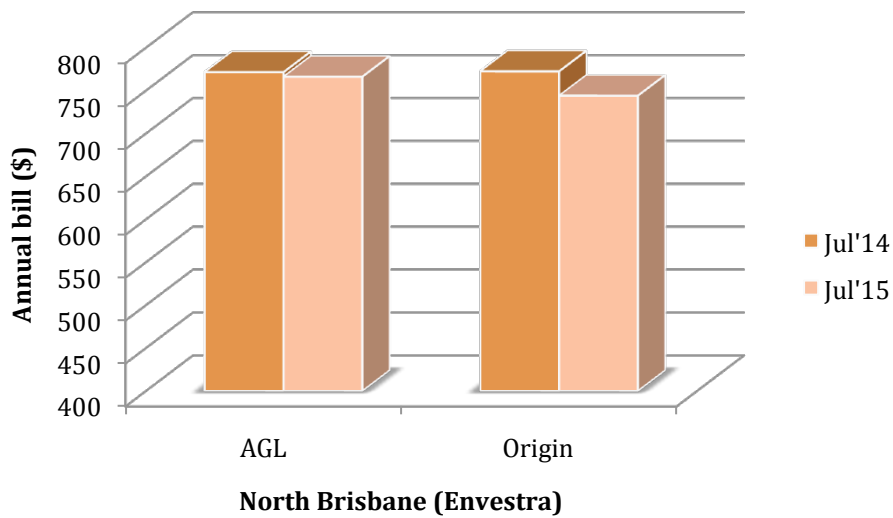
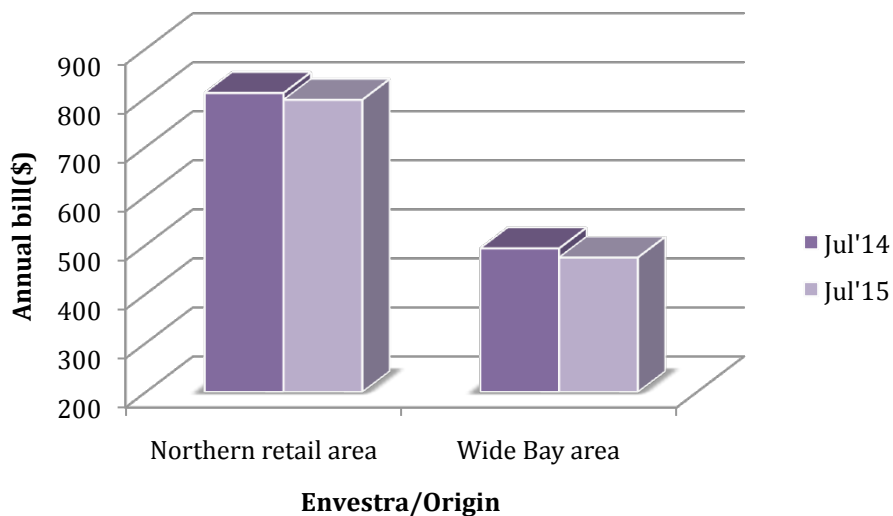


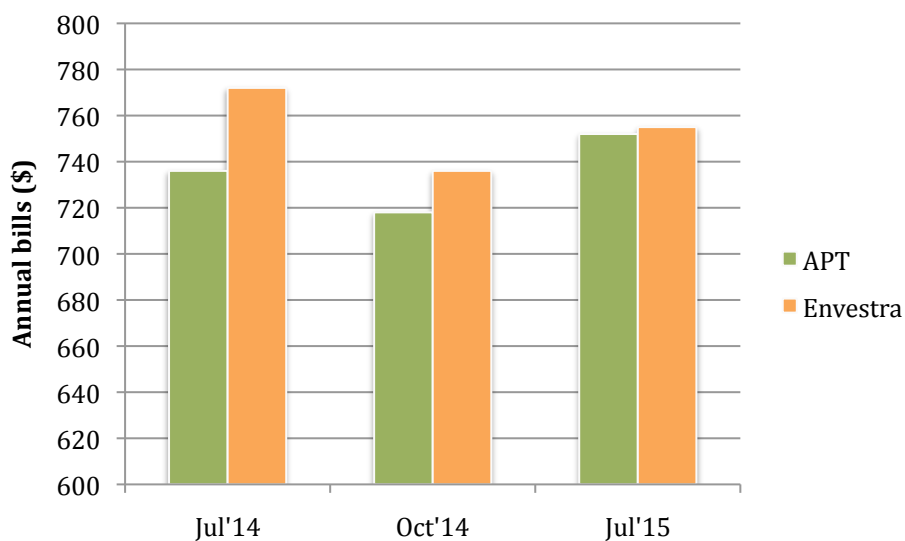
Chart 5 Changes to annual gas bills from July 2014 to July 2015, 10,000Mj – Origin’s rates in the Northern retail area and Wide Bay¹¹



¹⁰ AGL and Origin’s standard rates and customers using 10,000Mj per annum.

¹¹ The Northern retail area covers Rockhampton and Gladstone and the Wide Bay area covers Bundaberg, Maryborough and Hervey Bay. Origin is the only retailer with offers for residential customers in these areas. Bill estimates based on customers using 10,000Mj per annum.

Chart 6 Changes to annual average gas bills from July 2014 to July 2015, showing carbon inclusive and exclusive prices for 2014¹²



In the last year (since July 2014) electricity prices have decreased by up to 13% and gas prices have typically decreased by up to 2%, except for in the north Brisbane area (Envestra) where gas prices have increased by 2%. See table 1 and 2.

Table 1 Difference to annual bills for electricity by tariff type July 2014 – July 2015¹³

	Tariff 11	Tariff 31	Tariff 33	Tariff 12
\$ Difference	\$375	\$315	\$215	\$270
% Difference	13%	12%	12%	10%

¹² The average bill is based on AGL and Origin's standard gas offers and on households using 10,000MJ per annum (bills are GST inclusive). The October 2014 price is based on analysis presented in Alvis Consulting, *Residential electricity and gas prices from January 2012 to January 2015*, A report to the ACCC, March 2015.

¹³ Based on household consumption of 8,000kWh per annum at the rate of the regulated retail offer for tariff 11. The second and third calculations are based on household consumption of 8,000kWh per annum (thereof 15% off-peak) at the rate of the regulated retail offer for tariff 31 and 33.

Table 2 Difference to annual bills (average) for gas by area July 2014 – July 2015¹⁴

	APT – South Brisbane, Gold Coast, Toowoomba & Oakey	Envestra – North Brisbane & Ipswich	Envestra – Northern retail area (Rockhampton & Gladstone)	Envestra – Wide Bay area (Bundaberg, Maryborough and Hervey Bay)
\$ Difference	\$15	-\$15	-\$15	-\$20
% Difference	2%	-2%	-2%	-4%

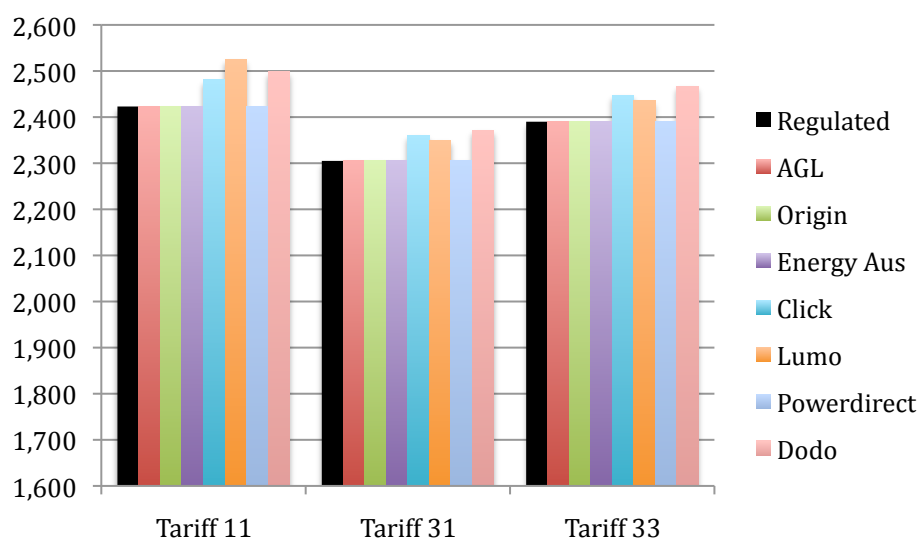
¹⁴ Based on the average gas rates (AGL and Origin) in APT and Envestra North and Origin's rates in the two other Envestra pricing zones. Bill estimates based on customers using 10,000Mj per annum.

2. Regulated vs. market offers post July 2015

2.1 Electricity: Regulated vs. market offers post July 2015

Chart 7 below shows that households using 8,000kWh per annum will typically have an annual electricity bill of between \$2,300 and \$2,400. Furthermore, it shows that Click Energy, Lumo and Dodo’s market offer rates are higher than the regulated rates, noting that this chart is based on rates prior to additional discounts.

Chart 7 Electricity offers as annual bills, July 2015, 8,000kWh per annum (thereof 15% off peak for tariff 31 and 33), GST inclusive¹⁵



As stated above, the calculations for the market offers in Chart 7 are based on their rates only (cost per kWh and fixed charges) and do not include other market offer features such as discounts on consumption rates, vouchers, sign-up credits, loyalty bonuses and discounts if bills are paid on time.

Consumers assessing market offers should take these additional features into account and be aware of contract conditions such as late payment fees, the length of the contract and fees for exiting the contract early.

Charts 8-10 below show the difference in annual bills between the regulated offer and market offers (both including and excluding discounts) for tariff 11, 31 and 33. A household switching from the regulated rate (Tariff 11) to Dodo’s market offers may save \$230 per annum (Chart 8). The same retailer offers the greatest potential saving for customers with off-peak consumption (Charts 9-10). However, the difference

¹⁵ The retail offers were collected from the retailers’ websites between the 5th and the 12th of July 2015 and it must be noted that retailers may change their rates at any time. Dodo’s offer takes effect on 28 July 2015.

between the regulated offer and the best market offer, the price-spread, is much lower compared to July last year when the potential saving was approximately \$450 to \$475.

Chart 8 Tariff 11: Annual bills excluding vs. including discounts as of July 2015 (8,000kWh per annum, including GST).¹⁶

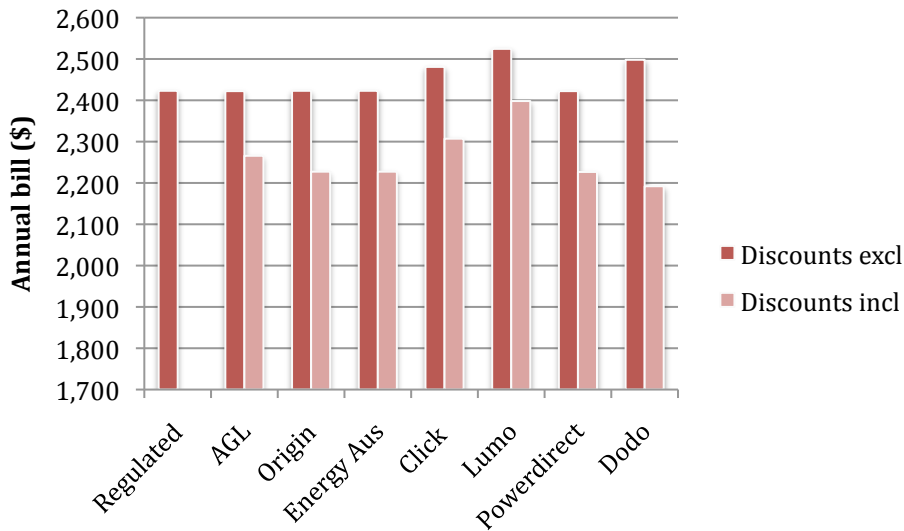
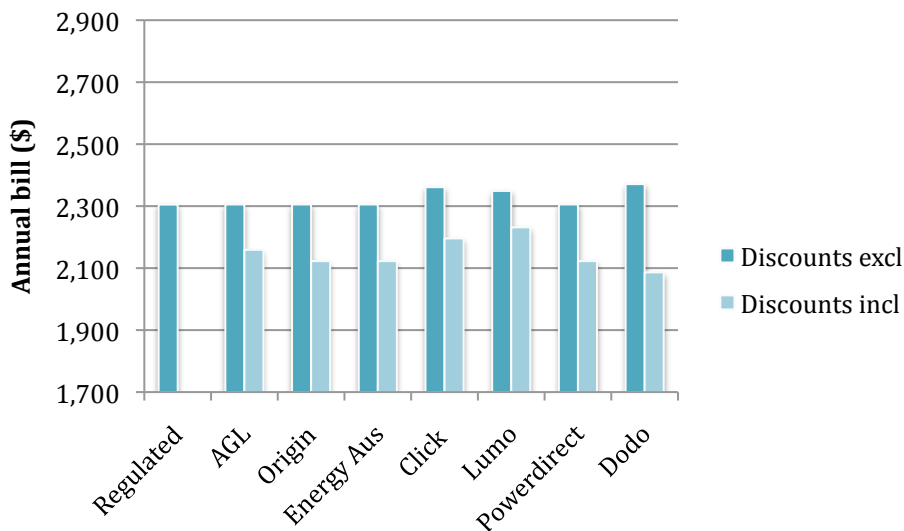


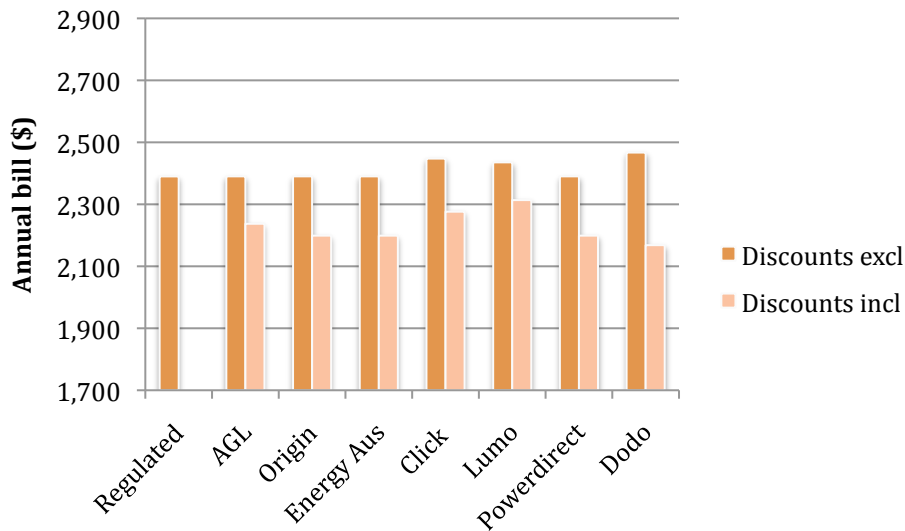
Chart 9 Tariff 31: Annual bills excluding vs. including discounts as of July 2015 (8,000kWh per annum, 15% off-peak, including GST).¹⁷



¹⁶ Calculations include discounts off usage or bill as well as pay on time discounts off usage or bill.

¹⁷ Calculations include discounts off usage or bill as well as pay on time discounts off usage or bill.






Chart 10 Tariff 33: Annual bills excluding vs. including discounts as of July 2015 (8,000kWh per annum, 15% off-peak, including GST).¹⁸



Consumers already on a market offer should note that the difference between the best and the worst market offers are also significant. Dodo’s offer is approximately \$210 less per annum than Lumo’s market offers (post pay on time discounts) for households with this consumption level. Figure 1 below shows estimated annual bills for market offers post discounts ranked from the lowest annual bill to the highest (for Tariff 11) as well as how they ranked compared to other retailers one year ago (in brackets).

¹⁸ Calculations include discounts off usage or bill as well as pay on time discounts off usage or bill.

Figure 1 Lowest to highest annual bills (incl GST) for market offers post July 2014, including discounts and pay on time discounts - Households consuming 8,000kWh per annum (Tariff 11)¹⁹

	Dodo	\$2,192 (1)
	Powerdirect	\$2,227 (2)
	Energy Australia	\$2,227 (3)
	Origin Energy	\$2,227 (7)
	AGL	\$2,266 (6)
	Click Energy	\$2,304 (4)
	Lumo Energy	\$2,398 (5)

The discounts (including pay on time discounts) used to estimate annual bills for Charts 8-10, as well as Figure 1, above are shown in table 3 below. Table 3 also shows other contract terms and features, such as early termination fees, associated with these market offers. Some of the retailers have multiple market offers and may offer higher discounts than those listed here. However, if the discounts are higher they are tied to other conditions such as payment by direct debit.

¹⁹ These bill estimates are based on rates published on the retailers' websites between the 5th and the 12th of July 2015 and it must be noted that retailers may change their rates at any time. Additional discounts for customers choosing to pay by direct debit are not included in these bill calculations. Dodo's offer takes effect on 28 July 2015.

Table 3 Published electricity market offers taking effect July 2015: Key additional features and contract conditions

	Guaranteed discounts	Contract term/ fixed benefit period	Early Termination Fee	Late Payment Fee	Pay on time discounts	Other
AGL	No	1 year	No	\$12.73	8% off usage	Yes
Origin	No	1 year	No	\$12	10% off usage	No
Energy Australia	No	1 year	No	\$12	10% off usage	No
Click	No	No	No	No	7% off bill	Yes
Lumo	No	2 years	\$20	No	5% off bill	No
Powerdirect	No	2 years	No	\$12.73	10% off usage	Yes
Dodo	No	No	No	No	15% off usage	No

Note: Examples of other features include loyalty bonuses, credits to the account upon commencing a contract and shop vouchers.

As many retailers tend to apply the same rates as the regulated rates to their market offer and then offer discounts, it is important that customers are aware that all of these discounts are conditional upon bills being paid on time. Pay on time discounts, combined with late payment fees on market offers, means that Queensland households can be significantly penalised for late payment.²⁰ Or conversely, Queensland households can be significantly rewarded for prompt payment. It does, however, highlight an issue that negatively impacts on households with cash-flow problems.

Table 4 below shows that paying late can become very expensive on some market offers. Households on Dodo’s market offer, for example, would be approximately \$300 worse off if they pay late compared to paying on time. Origin, Energy Australia and Powerdirect’s customers would also be almost \$250 worse off if they pay their bills after the due date.

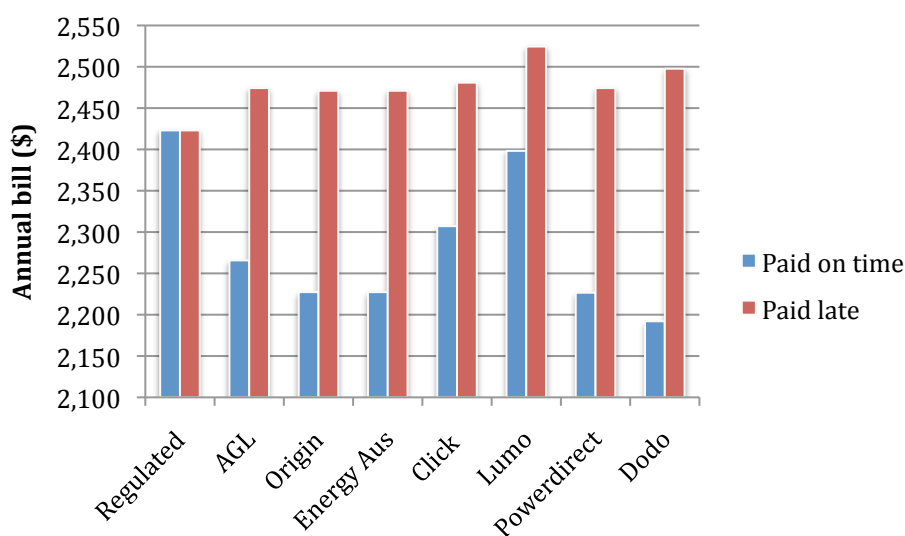
²⁰ The Queensland Electricity Industry Code (clause 4.13.5) does not permit retailers to apply late payment fees to the regulated offer unless the fee is “expressly provided for in the notified prices”.

Table 4 Electricity offers taking affect July 2015: Difference (\$) in annual bill between paying all bills on time vs. paying all bills late (based on 8,000kWh per annum, 15% off-peak for tariff 31 and 33, 4 bills per annum)

	Tariff 11	Tariff 31	Tariff 33
AGL	\$208	\$197	\$204
Origin	\$244	\$231	\$239
Energy Australia	\$244	\$231	\$239
Click	\$174	\$165	\$171
Lumo	\$126	\$117	\$122
Powerdirect	\$248	\$239	\$247
Dodo	\$306	\$285	\$299
Average	\$221	\$209	\$217

As both the size of pay on time discounts and the number of retailers applying them have increased, the difference in electricity bills between customers that pay on time and customers that pay late is at a record high. Chart 11 below shows the estimated annual electricity bill (tariff 11) for customers that always pay on time and for those who always pay late.

Chart 11 Tariff 11: Estimated annual bill for customers that pay on time vs. pay late, electricity offers as of July 2015, 8,000kWh per annum (GST inc)²¹



Households always able to pay their electricity bills by the due date can save by switching from the regulated offer to any market offer. Households with cash-flow problems, and who are thus late paying bills, however, are not necessarily able to achieve the same savings by switching to a market offer. Late paying customers will now be worse off on all market offers compared to the regulated offer.²² This development may have a negative impact on customer engagement and switching as well as competition more broadly. The risk of becoming financially worse off from switching to a market offer is likely to deter consumers from doing so. It is also a

²¹ Annual bill calculation includes discounts, pay on time discounts and late payment fees as per energy offer.

²² Retail offers as per table 3

development that has expanded quickly: in July last year, our analysis found that only two of the retail offers resulted in late paying customers being worse off after switching.

Table 5 Tariff 11: Potential annual savings (\$) by switching from regulated offer to market (based on 8,000kWh per annum, GST inclusive), July 2015

Tariff 11	Paid on time	Paid late
AGL	\$157	-\$51
Origin	\$196	-\$48
Energy Australia	\$196	-\$48
Click	\$116	-\$58
Lumo	\$25	-\$101
Powerdirect	\$196	-\$51
Dodo	\$231	-\$75
Average	\$160	-\$62

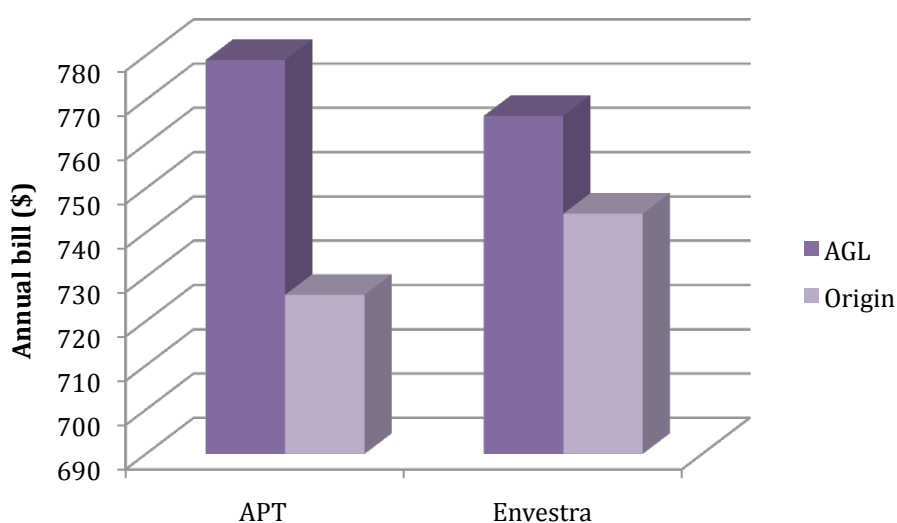
2.2 Gas market offers post July 2015

There are no regulated gas offers in Queensland and currently only Origin and AGL have gas market offers for residential consumers.²³ As only North Brisbane (including Ipswich) and South Brisbane (including Gold Coast, Toowoomba, Oakey) have more than one market offer, this analysis only comprises market offers in these two areas.²⁴ Chart 12 below shows that there is a small (\$20) difference between AGL and Origin's market offer rates (prior to additional discounts) in the Envestra zone (Brisbane North). In the APT zone (Brisbane South) Origin's market offer produces an annual bill that is approximately \$50 less than AGL for households with this consumption level.

²³ After Australian Power and Gas was bought by AGL.

²⁴ Gas customers in Rockhampton, Gladstone, Bundaberg, Maryborough and Hervey Bay only have access to Origin's market offers.

Chart 12 Gas offers as annual bills, Post July 2015 (10,000Mj per annum)



The calculations for the market offers in Chart 12 include their rates only (cost per MJ and fixed charges) and do not include other market offer features such as discounts on consumption rates, vouchers, sign-up credits, loyalty bonuses and discounts if bills are paid on time. Consumers assessing market offers should take these additional features into account and be aware of contract conditions such as late payment fees, the length of the contract and fees for exiting the contract early.

Table 6 Published gas market offers in the APT and Envestra gas zones as of July 2015: Key additional features and contract conditions

	Guaranteed discounts	Contract term/benefit period	Early Termination Fee	Late Payment Fee	Pay on time discounts	Other
AGL	No	1 year	No	\$12	6% off usage	Yes
Origin	No	1 year	No	\$12	6% off usage	No

Note: Examples of other features include loyalty bonuses, credits to the account upon commencing a contract and shop vouchers.

The discounts (including pay on time discounts) used to estimate annual bills for Figures 2 and 3, as well as charts 13-14 below, are shown in table 6 above. Table 6 also shows other contract terms and features, such as late payment fees, associated with these market offers.

The difference between the best and the worst market offers is less for gas than electricity. Furthermore, as AGL and Origin are offering the same discounts the difference between the market offers post discounts is the same as the difference prior to discounts (see chart 12 above). Figures 2 and 3 below show estimated

annual bills for gas market offers post discounts in the APT and Envestra gas zones.²⁵

Figure 2 APT gas zone: Lowest to highest annual bills (incl GST) for market offers post July 2015, including discounts and pay on time discounts - Households consuming 10,000Mj per annum

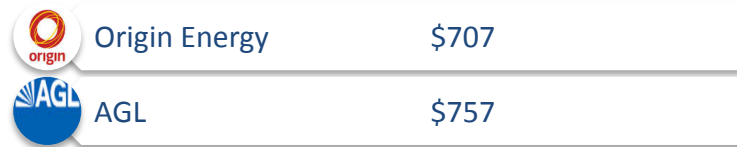
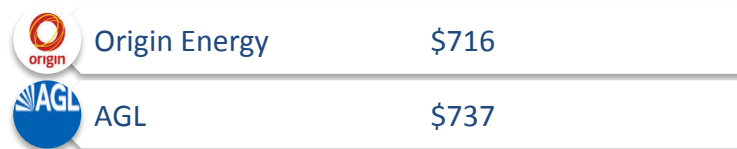


Figure 3 Envestra gas zone: Lowest to highest annual bills (incl GST) for market offers post July 2015, including discounts and pay on time discounts - Households consuming 10,000Mj per annum



Charts 13-14 below show the estimated annual gas bill for customers that always pay on time and customers who do not for published gas offers in the APT and Envestra gas zones. Chart 13 shows that both AGL and Origin's annual bills are approximately \$70 less for prompt payers compared to late payers.

²⁵ These bill estimates are based on rates published on the retailers' websites between the 4th and the 10th of July 2015 and it must be noted that retailers may change their rates at any time.

Chart 13 APT gas zone: Estimated annual bills for customers that pay on time vs. pay late, gas offers as of July 2015 (10,000Mj, GST inc)²⁶

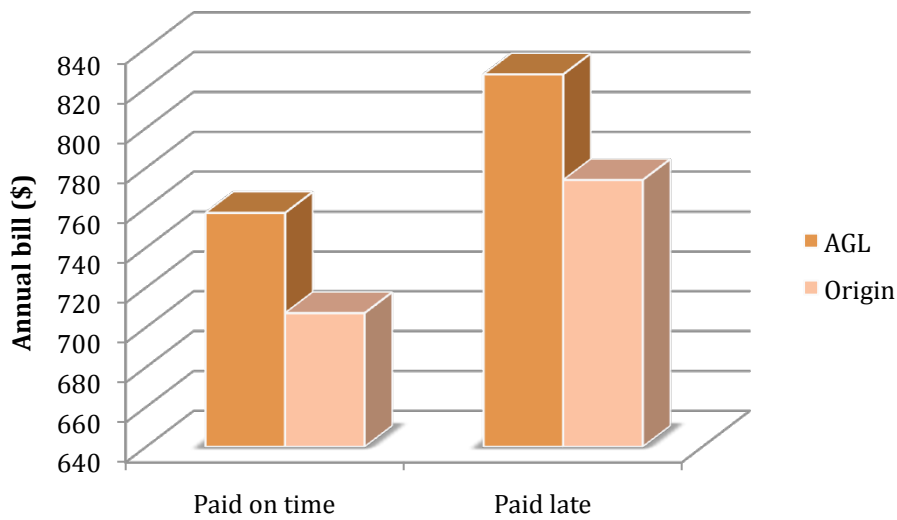
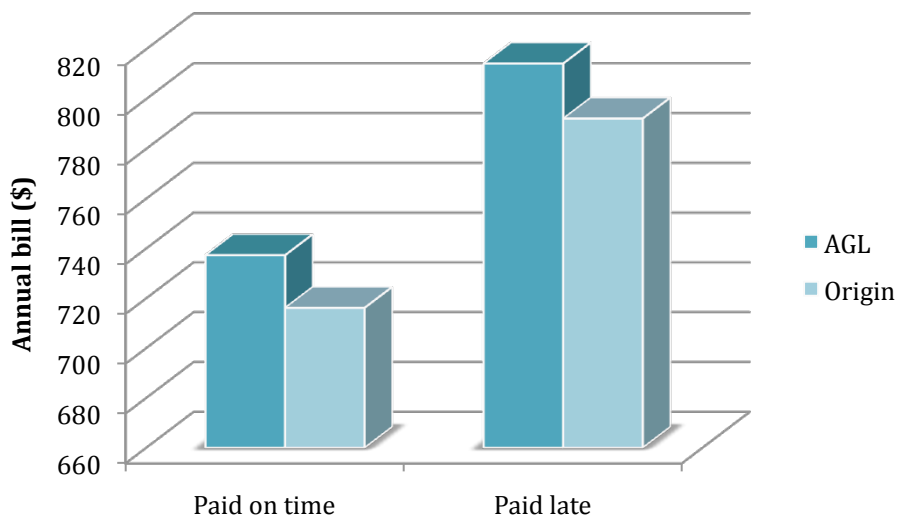


Chart 14 below shows that there is very little difference between AGL and Origin’s offers in the Envestra gas zone. It shows that both AGL and Origin’s annual bills are approximately \$75 less for prompt payers compared to late payers.

Chart 14 Envestra gas zone: Estimated annual bills for customers that pay on time vs. pay late, gas offers as of July 2015 (10,000Mj, GST inc)²⁷



²⁶ Annual bill calculation includes discounts, pay on time discounts and late payment fees as per energy offer.

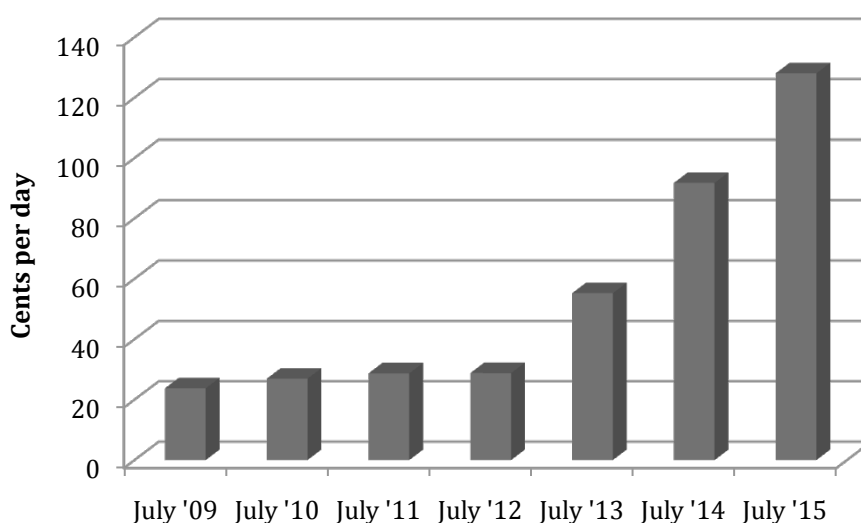
²⁷ Ibid.

3. Supply charges

3.1 Electricity supply charges

The supply charge is a fixed daily charge that is paid in addition to the consumption charges for electricity used. In Queensland the supply charge for single rate electricity customers (tariff 11) only increased by 5 cents (or 21%) during the three year period from July 2009 to July 2012.²⁸ In July 2013, 2014 and 2015, however, there were significant increases to the supply charge. It went up by 36 cents a day (or 40%) in the last year alone (since July 2014). The current supply charge of just over 128 cents a day means that households pay almost \$470 per annum in fixed charges. Chart 15 below shows the increases to the daily supply charge from July 2009 to July 2015.

Chart 15 Daily supply charge, Tariff 11, regulated electricity offers, 2009-15



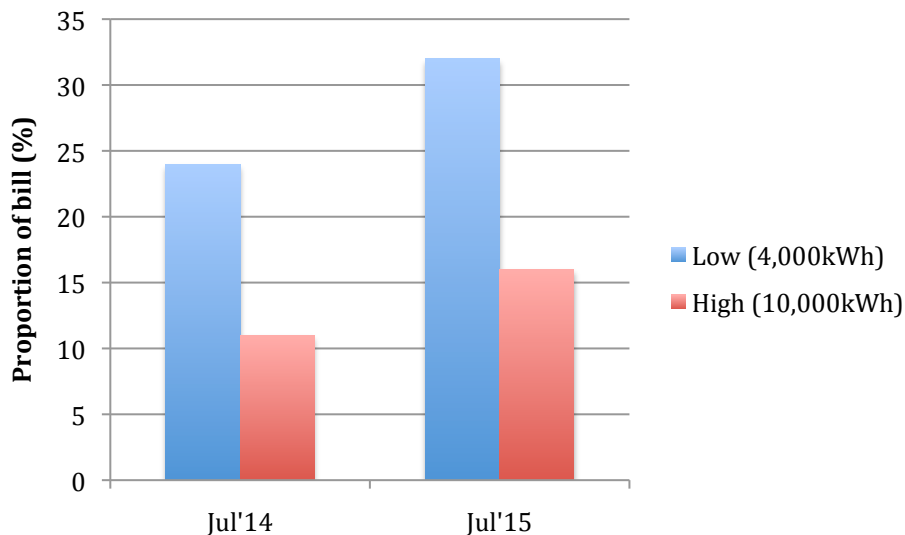
High supply charges, compared to consumption charges, result in low consumption households paying a proportionally higher cost per unit of energy than high consumption households. This has significant equity implications as some customer classes characterised by low and fixed income also use less electricity than the Queensland average. Pensioners typically make up one of these lower consumption groups.²⁹

²⁸ This was a very low increase compared to other jurisdictions. In South Australia, for example, the fixed supply charge increased by 60% over the same period.

²⁹ ABS survey data shows that households with government pensions and allowances as their main source of income have a mean weekly electricity consumption of approximately 122kWh and that households with wages and salaries as their main income source use approximately 20kWh more per week (142kWh/week). See ABS, *4670.0 Household Energy Consumption Survey 2012*, Table 8, September 2013. Furthermore, Victorian consumption surveys have found that concession card holders in general, and households on the aged concession in particular, have lower consumption than the general population. See *Victorian*

Chart 16 below shows the difference between households consuming 4,000kWh per annum (blue bar) and households consuming 10,000kWh per annum (red bar) when it comes to the proportion of the annual electricity bill that goes to cover fixed supply charges. The fixed supply charge is currently 32% of the annual electricity bill for a low consumption household, up 8 percentage points on last year. For high consumption households, on the other hand, 16% of their annual bill would go towards fixed charges, which is only 5 percentage points more than last year.

Chart 16 Supply charge as proportion of annual bill, July 2014 and July 2015

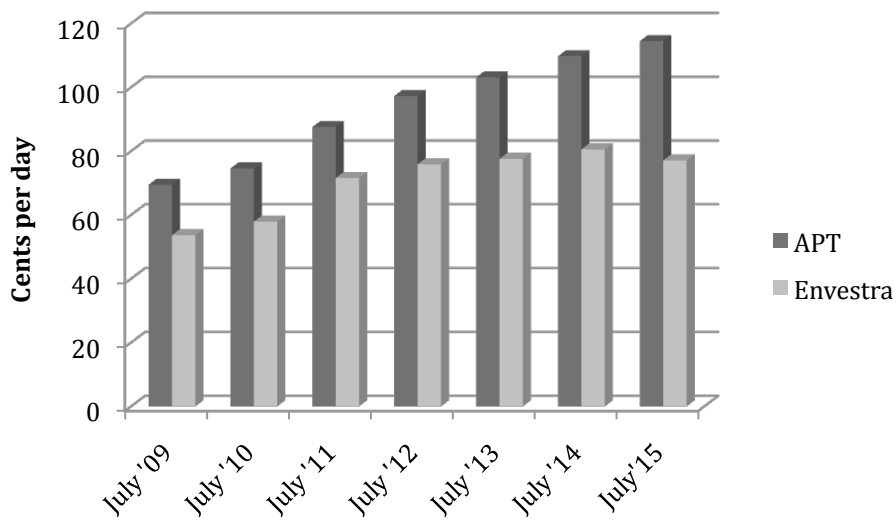


3.2 Gas supply charges

In July 2015 the average fixed supply charge increased in the APT (Brisbane South) distribution zone and decreased in the Envestra (Brisbane North) zone. The average gas supply charge is just over 114 cents/day in the APT distribution area and 77 cents/day in the Envestra (Brisbane North) pricing zone. This effectively means that South Brisbane households (APT zone) pay \$415 per annum in order to be connected to natural gas. Chart 17 below shows increases to the gas supply charge from July 2009 to July 2014 for both gas zones.

Utility Consumption Household Survey 2007 by Roy Morgan Research for Dept. of Human Services, Final report, April 2008, p 75. The lower consumption levels among aged concession card holders relates to the average size of these households. Pensioners, as a customer group, are on average smaller households (fewer people) compared to the population on a whole and this has an impact on their consumption levels.

Chart 17 Gas supply charges from July 2009 to July 2015, Cents per day³⁰



The average domestic gas consumption in Queensland is relatively low and as such the supply charges comprise a significant proportion of the annual gas bill.³¹ For households consuming 10,000Mj per annum in the APT gas zone, the supply charge makes up 54-57% of the annual bill, depending on the retailer. In the Envestra zone (Brisbane North), the supply charge makes up approximately 37% of the annual bill (for the same consumption level).

³⁰ Based on the average gas supply charge (AGL and Origin).

³¹ We have assumed typical residential annual gas consumption in Queensland to be 10,000Mj per annum while in Victoria we base it on 63,000Mj.

4. Time of Use (TOU) tariffs

In July 2012 a voluntary Time of Use (TOU) tariff (tariff 12) was introduced for residential electricity consumers in Queensland.

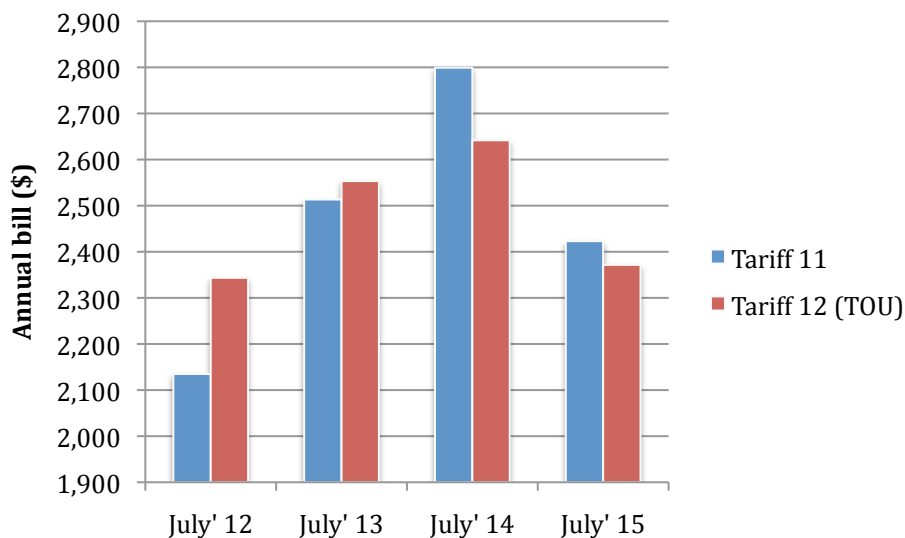
The table below shows that Tariff 12's off-peak rate applies to approximately half of the time and the peak rate for usage between 4-8pm on weekdays is only allocated to 12% of the time.

Table 7 TOU tariffs: Tariff rates applied to number of hours per week and percentage of a week³²

Tariff 12	Hours per week	Percentage
Peak	20	12%
Shoulder	63	37%
Off-peak	85	51%

Chart 18 below compares estimated annual bills, based on the regulated rates for typical consumption households (8,000kWh), for Tariff 11 and Tariff 12 from July 2012 to July 2015. While Tariff 12 was a potentially attractive option for many households last year, the difference in annual bills between Tariff 12 and Tariff 11 has decreased this year.

Chart 18 July 2012 to July 2015: Estimated annual bills for Tariff 11 and Tariff 12, 8,000kWh per annum (assumed 20% peak, 55% shoulder and 25% off peak for Tariff 12)



³² This is an indicative week only as it does not include public holidays. Peak is from 4-8pm on weekdays, shoulder is from 7am-4pm and 8pm -10pm on weekdays as well as 8am-10pm on weekends, and off-peak is every day from 10pm-7am.

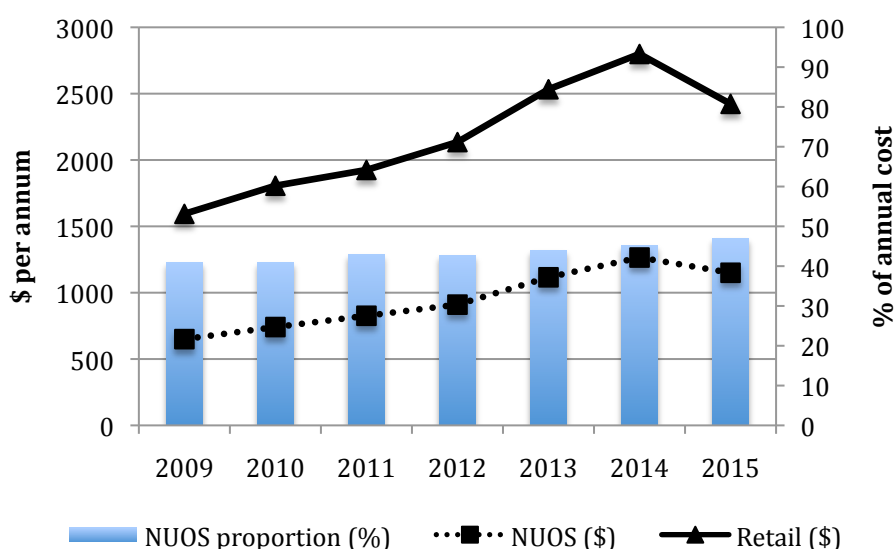
5. Network charges

The Queensland electricity networks, Energex and Ergon, introduce new Network Use of System (NUOS) charges as of 1 July every year. These NUOS charges are approved by the Australian Energy Regulator (AER) and comprise Transmission Use of System (TUOS) and Distribution Use of System (DUOS) and the retailers can, and generally will, build changes to the NUOS (in relation to both shape and price) into their retail tariffs. As Queensland also has a regulated retail offer, the Queensland Competition Authority (QCA) also changes the regulated retail rate to reflect changes to the NUOS.

Chart 19 shows annual retail bills (solid line), NUOS charges as annual cost (dotted line) and NUOS as proportion of annual bill (columns).³³

It shows that both the NUOS charge and the retail bill have decreased from July 2015 while the NUOS as proportion of total bill has increased. This reflects the removal of the carbon tax post 1 July 2014 (which had very little impact on the NUOS charges).

Chart 19 Energex: Retail bill per annum (incl. GST), NUOS charges and NUOS as proportion of total bill (incl. GST) from 2009 to 2015 (based on the regulated retail offer, Tariff 11, 8,000 kWh per annum)³⁴



³³ The regulated residential retail tariff, which applies to residential customers across Queensland, is based on Energex' network tariff only.

³⁴ Based on the regulated offer rates from 2009 to 2015, presented as annual bills for households using 8,000kWh per annum (flat rate). The annual NUOS charges have been calculated by allocating 2,000kWh per quarter (again based on annual consumption of 8,000kWh) to the step charges stipulated in the NUOS. The annual NUOS cost also includes fixed charges.

