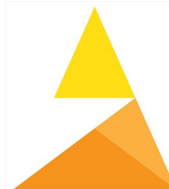


South Australian Energy Prices July 2015 - July 2016

An Update Report on the SA
Tariff-Tracking Project



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South Australian Energy Prices July 2015 - July 2016
An Update report on the South Australian Tariff-Tracking Project

May Mauseth Johnston, September 2016



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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 Alviss 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 Australian Energy Regulator's ["Energy Made Easy"](#) website or contact the energy retailers directly.

Acknowledgements

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

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The SA Tariff-Tracking Project: Purpose and outputs

This project has tracked electricity and gas tariffs in South Australia from July 2009 to July 2016, 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 SA Tariff-Tracking project was published in August 2012 and this update report focuses 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/standard gas and electricity offers from July 2009 to July 2016, as well as current published electricity and gas market offers post the price resets in July 2012, 2013, 2014, 2015 and 2016.¹ A new addition to the Tariff-Tracking project this year is market offers available to new solar customers. The workbook allows users to calculate annual bills based on retailers' rates, feed in tariffs offered and additional discounts. Again, the user can enter consumption level as well as choosing to run the bill calculation based on 1.5 kW or 3 kW solar systems.

Workbook 1: Electricity standing offers July 2009-July 2016

Workbook 2: Gas standing offers July 2009-July 2016

Workbook 3: Electricity market offers post July 2012-July 2016.²

Workbook 4: Gas market offers post July 2012-July 2016

Workbook 5: Solar market offers post July 2016.

The five workbooks and the reports can be accessed at the St Vincent de Paul Society's website:

www.vinnies.org.au/energy

¹ 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 Tariff-Tracking tool. 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.

² This workbook also contains electricity market offers that took effect upon the deregulation of the retail market in February 2013.

Key findings

In terms of general trends, the tariff analysis found that:³

- South Australian electricity retail prices taking effect in July 2015 produce annual bills that are typically \$280 - \$320, or 13%, more (depending on meter type) than they were last year (July 2015). See chart 1 in section 1 below.
- Standard contract customers with a typical consumption level (6,000kWh/annum, single rate) will have an annual electricity bill of approximately \$2,440. See chart 1 in section 1 below.
- For gas, standard contract prices have reduced by 10%, or \$115, compared to July 2015. See chart 3 in section 1.
- Standard contract customers with a typical consumption level (21,000Mj/annum) will have an annual gas bill of approximately \$1,035. See chart 3.
- The difference between the best and the worst electricity market offer is \$615 per annum.⁴ See chart 4 in section 2.1.
- For average consumption households (6,000kWh/annum), the worst electricity standing offer is almost \$1,000 per annum more than the best published market offer. Households currently on AGL's standard contract can save \$680 if switching to the best market offer. See chart 5 in section 2.1.
- In regards to households with controlled off-peak load, typical consumption households (7,500kWh per annum) currently on AGL's standard contract can save \$730 per annum if switching to the best market offer.⁵ The difference between the best and the worst market offer is \$1,190 per annum for this meter type. See chart 6 in section 2.1.
- In regards to gas, typical consumption households (21,000Mj) can save \$190 per annum if switching from Origin's standard contract to the best market offer.⁶ See chart 8 in section 2.2.

³ These calculations are based on increases in the standing offer for single rate electricity customers using 6,000kWh per annum, increases in the standing offer for controlled load electricity customers (typically all-electric households) using 7,500kWh per annum (thereof 20% off-peak) and the increase in the standing offer for gas customers using 21,000Mj per annum.

⁴ Households using 6,000kWh per annum (single rate) and all market offer bills include additional discounts and/or pay on time discounts.

⁵ Based on AGL's standard contract offer and the best of the published market offers (including pay on time discounts).

⁶ Based on Origin's standard contract offer and the best of the published market offers (including pay on time discounts).

- As retailers' discounts are becoming larger, the difference between standing offer bills and market offer bills (including discounts and pay on time discounts) is increasing. As of July 2016, the difference between AGL's electricity standing offer and the market offer is 13%, or \$325 per annum (based on households consuming 6,000 kWh/annum). For gas, the difference between the annual bill for customers on Origin's standing offer and Origin's market offer (including discounts and pay on time discounts) is 7.5%. See charts 9 and 10 in section 3.1.
- In addition to discounts becoming larger, they are also becoming more conditional. All retailers currently offering discounts make these conditional upon bills being paid on time. Momentum and Sanctuary Energy are the only two retailers that do not offer discounts (including pay on time discounts).⁷
- Larger and conditional discounts mean that the difference between paying bills on time and paying bills late is on the increase too. In July 2012, annual market offer bills were on average 5% (or \$110) more for late paying customers compared to customers that paid on time. As of July 2016, the difference is 16.5% (or \$350).⁸ See chart 11 in section 3.2.
- The daily electricity and gas supply charges vary significantly between retailers as well as retail offers. The lowest market offer supply charge (including pay on time discounts) is approximately \$70 per annum less than the highest supply charge for both electricity and gas. See charts 12 and 13 in section 4.
- The Network Use of System (NUOS) charges reduced somewhat in July 2016 but as the non-regulated prices increased the NUOS proportion of bills is significantly lower. The NUOS charges now account for approximately 36% of the electricity bill for average consumption households. See chart 14 in section 5.
- The comparison of market offers available to new solar customers with 1.5 or 3 kW systems installed, shows that solar customers should not simply choose the retailer with the highest feed in tariff (FIT) rate. A solar customer with a 1.5 kW system may save \$500 per annum by switching from the retailer offer with the highest FIT rate (Click) to a retailer with a minimum FIT rate (Simply). See section 6.

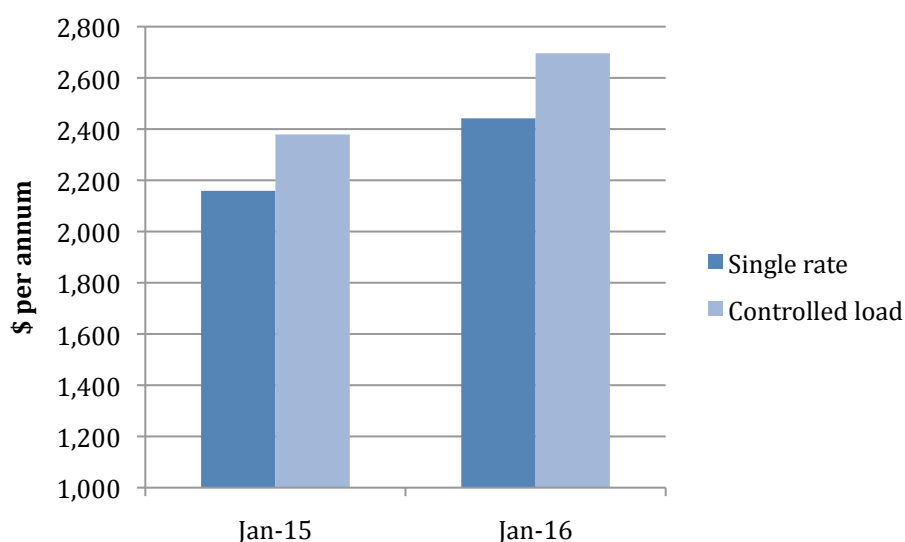
⁷ Note that Momentum does have one product that offers a direct debit discount.

⁸ Based on households consuming 6,000 kWh per annum (single rate). Late paying bills do not include pay on time discounts (as per retail offer) and include four late fees (if applied by the retailers).

1. Energy price changes from July 2015 to July 2016

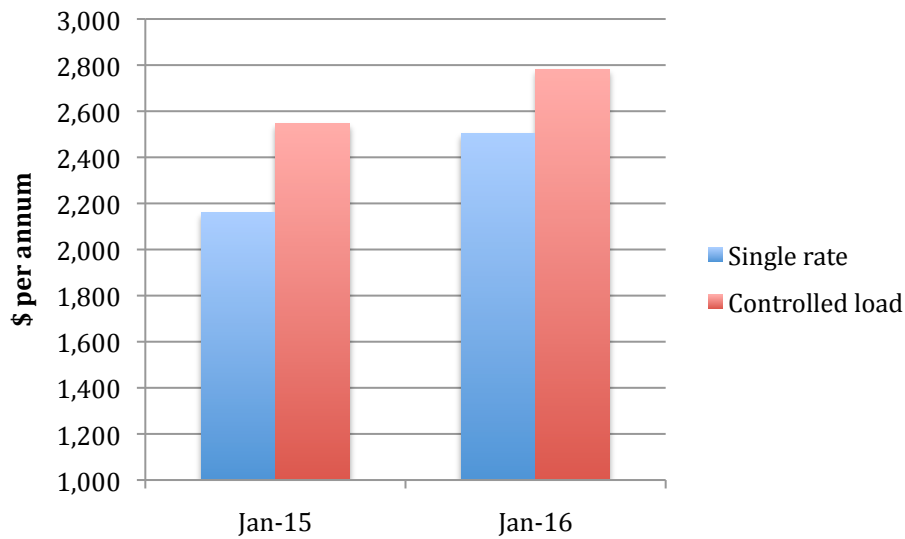
AGL's current standing offer rates are approximately 13% higher than they were in July 2015. In July 2015 AGL's standing offer rates produced annual bills of between \$2,160 and \$2,380 (depending on meter type) for average consumption households. AGL's current standing offer rates will produce annual bills of between \$2,440 and \$2,700, that is an annual increase of \$280 for single rate customers and \$320 for customers with controlled load. Chart 1 and 2 below show annual bills for average consumption households on AGL's standing offer as of July 2015 and July 2016, as well as the average standing offer (across all retailers) in July 2016. AGL's standing offer is approximately 3% lower than the average retail standing offer.⁹

Chart 1 Differences to the annual cost of AGL's standing/standard contract electricity offers from 2015 to 2016. Based on annual consumption level of 6,000kWh for single rate and 7,500kWh per annum (thereof 20% controlled load), GST inclusive



⁹ As South Australia deregulated the retail market in February 2013 and AGL was required to offer a transitional standing offer for two years post deregulation, the majority of South Australian households currently on an electricity standing offer are therefore AGL customers.

Chart 2 Differences to the annual cost of the average (all retailers) standing/standard contract electricity offer from 2015 to 2016. Based on annual consumption level of 6,000kWh for single rate and 7,500kWh per annum (thereof 20% controlled load), GST inclusive



In terms of gas, Origin's standing offer gas bills as of July 2016, are 10%, or \$115, less than they were in July last year. Chart 3 below shows Origin Energy's annual bills for average consumption households on the gas standing offer as of July 2015 and July 2016, as well as the average standing offer (across all retailers) in July 2016.

Chart 3 Differences to the annual cost of gas Standing offers/Standard contracts from July 2015 to July 2016, 21,000Mj per annum, GST inclusive

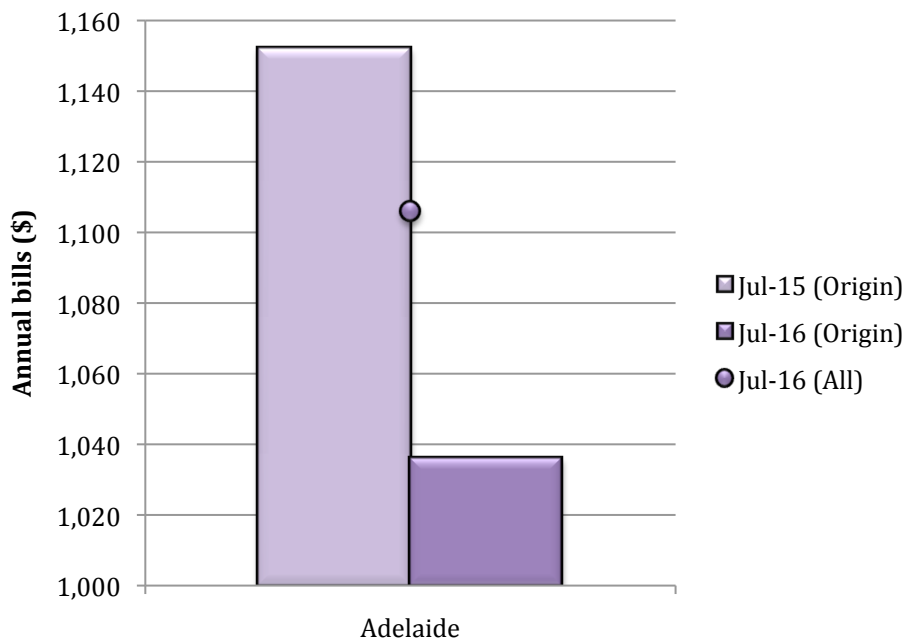


Table 1 Difference to annual bills for electricity (standard contract) by tariff type July 2015 – July 2016¹⁰

	Single rate (6,000kWh)	Two rate (7,500kWh, 20% controlled load)
\$ Difference	\$280	\$320
% Difference	13%	13%

Table 2 Difference to annual bills for gas (standard contract) by area July 2015 – July 2016¹¹

	Adelaide	Port Pirie	Whyalla	Mt Gambier	Riverland
\$ Difference	-\$115	-\$115	-\$115	-\$115	-\$115
% Difference	-10%	-10%	-10%	-10%	-10%

¹⁰ Single rate calculations are based on household consumption of 6,000kWh per annum at the rate of AGL's standing offers. The two-rate calculations are based on household consumption of 7,500kWh per annum (thereof 20% controlled off-peak load) at the rate of AGL's standing offers.

¹¹ Based on Origin's standing offer gas rates for customers using 21,000Mj per annum.

2. Market offers post July 2016

2.1 Electricity market offers post July 2016¹²

- The difference between the worst standing offer and the best market offer is \$1000 per annum (households using 6,000kWh).¹³
- Customers on AGL's standard electricity contract can save \$680 if switching to the best market offer.¹⁴
- The difference between the best and the worst market offer is \$615 per annum.¹⁵ The difference, or the price-spread, is thus greater compared to last year when the range was \$460. Chart 4 below shows the retail market offer price-spread for electricity retail offers.

Chart 4 Price-spread for fourteen electricity market offers post July 2016 (incl GST), including discounts and pay on time discounts - Households consuming 6,000kWh per annum (single rate)

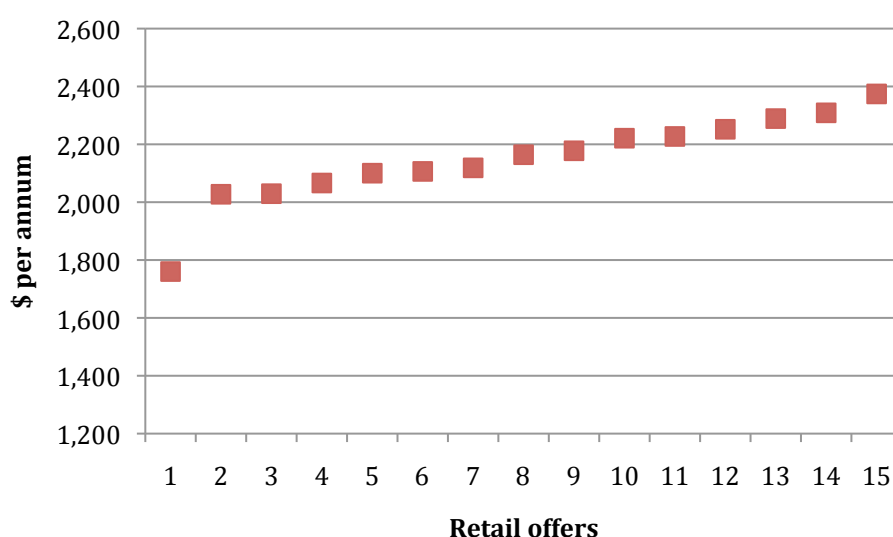


Table 3 below shows additional discounts applicable to the electricity retailers' published market offer rates. Table 3 also shows other contract terms and features,

¹² These market offers were collected from the retailers' websites between the 4th and the 18th of August 2016 and it should be noted that retailers may change their rates at any time.

¹³ Based on the worst standing offer (single rate) and the best of the published market offers (including additional discounts and/or pay on time discounts).

¹⁴ Based on AGL's standing offer (single rate) and the best of the published market offers (including additional discounts and/or pay on time discounts).

¹⁵ Households using 6,000kWh per annum (single rate) and all market offer bills include additional discounts and/or pay on time discounts.

such as early termination fees, associated with these market offers. Some of the retailers have multiple market offers and may offer higher (or lower) discounts than those listed here. However, if the discounts are higher they are tied to other conditions such as payment by direct debit.¹⁶

Table 3 Published electricity market offers taking effect after July 2016: Key additional features and contract conditions

	Discounts	Contract term/ benefit period	Early Termination Fee	Late Payment Fee	Pay on time discounts	Other
AGL [^]	No	1 year	No	\$12.75	15% off usage	Yes
Origin	No	1 year	No	\$12	16% off usage	No
Energy Australia ^{^^}	No	1 year	No	\$12	18% off usage	Yes
Simply	No	2 years	Up to \$104.50	No	28% off usage	No
Alinta	No	No	No	No	20% off usage	No
Click	No	No	No	\$12	15% off bill	No
Sanctuary	No	3 years	No	\$25	No	No
Lumo	No	2 years	No	No	12% off bill	Yes
Powerdirect	No	2 years	No	\$12.75	18% off usage	No
Red Energy	No	2 years	Up to \$95	No	10% off bill	No
Dodo	No	No	No	No	25% off usage	No
Momentum	No	1 year	\$75	No	No	No
Urth Energy	No	3 years	No	\$12	10% off usage	No
Commander	No	No	No	No	20% off usage	No
Diamond	No	2 years	\$22	\$15	7% off bill	No

[^] AGL offers an additional 2% off usage charges for dual fuel customers

^{^^} Energy Australia offers an additional 2% off usage charges for customers that receive bills via email

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

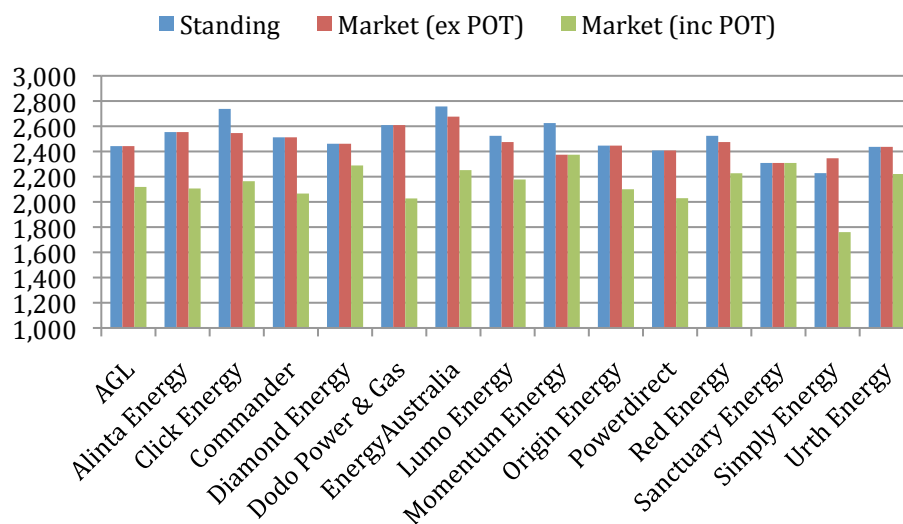
¹⁶ Momentum, for example, has introduced a direct debit discount where customers receive a 2% discount off the market offer electricity rates (their Smile Power product). This discount is not included in the bill calculations presented in this report.

2.1.1 Potential savings - Differences between electricity offers

Households currently on AGL's standing offer can save \$680 if switching to the best market offer.¹⁷ Importantly, it is the difference between individual retailers' offers that can produce significant savings if switching from a standing offer to a market offer. Customers who choose to stay with the same retailer, but change to a market offer, are unlikely to experience annual savings as large as these. Furthermore, we stress that the majority of these discounts are conditional on bills being paid on time and households with cash-flow issues thus may find themselves unable to achieve the annual bills estimated for some of the best offers included in the charts below.

Chart 5 below shows annual retail bills for typical consumption households. The blue columns to the left represent the standing offer bill, the red columns are the market offers including guaranteed discounts (but not pay on time discounts) while the green columns are market offer bills including pay on time discounts.¹⁸

Chart 5 Estimated annual bills (incl GST) for standing and market offers post July 2016, including discounts and pay on time discounts - Households consuming 6,000kWh per annum (single rate)



The difference between the best and the worst market offer is also significant. Simply's offer is approximately \$615 less than Momentum's market offer post discounts (and pay on time discounts) for households with this consumption level. Figure 1 below shows estimated annual bills for market offers post discounts as well as how they ranked compared to other retailers one year ago (in brackets).

¹⁷ Based on market offer bills that include discounts and pay on time discounts.

¹⁸ These market offers were collected between the 4th and the 18th of August 2016 and it should be noted that retailers may change their rates at any time. Discounts (excluding GST) have been applied to consumption and/or total bill as per offers listed in table 3.

Figure 1 Lowest to highest annual bills (incl GST) for market offers post July 2016, including discounts and pay on time discounts - Households consuming 6,000kWh per annum (single rate)¹⁹
















	1. Simply Energy	\$1,760 (2)
	2. Dodo	\$2,027 (8)
	3. Powerdirect	\$2,029 (3)
	4. Commander	\$2,066 (10)
	5. Origin Energy	\$2,100 (7)
	6. Alinta	\$2,106 (1)
	7. AGL	\$2,119 (5)
	8. Click Energy	\$2,614 (-)
	9. Lumo Energy	\$2,178 (6)
	10. Urth Energy	\$2,221 (-)
	11. Red Energy	\$2,227 (11)
	12. Energy Australia	\$2,252 (4)
	13. Diamond	\$2,289 (12)
	14. Sanctuary Energy	\$2,309 (-)
	15. Momentum	\$2,374 (9)

Chart 6 below shows a similar trend for households with controlled load (using 7,500kWh per annum and thereof 20% controlled load).

The difference between the worst standing offer and the best market offer is \$1,190 per annum (for households with controlled off-peak load using 7,500kWh per annum).²⁰ Households currently on AGL's standing offer can save \$730 if switching to the best market offer. The difference between the best and the worst market offer is

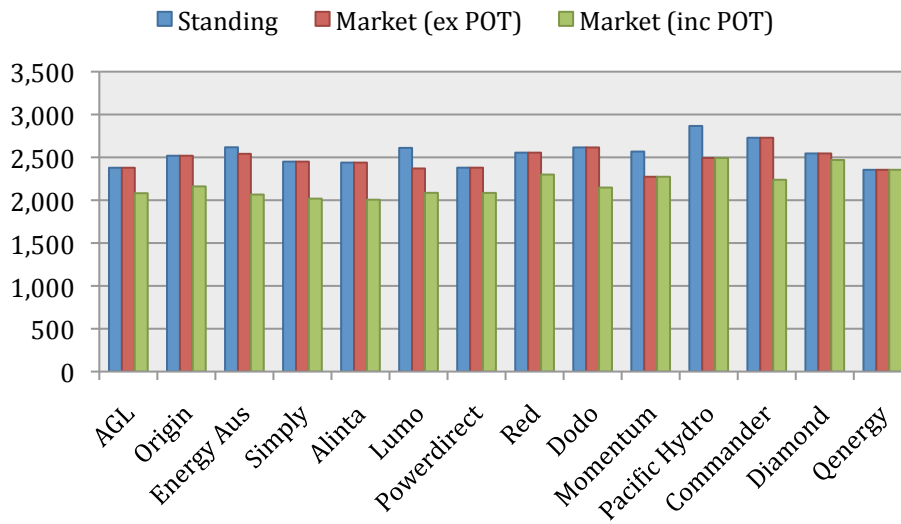
¹⁹ These market offers were collected between the 4th and the 18th of August 2016 and it should be noted that retailers may change their rates at any time. Additional discounts for customers choosing to pay by direct debit are not included in these bill calculations.

²⁰ Based on market offer bills that include discounts and pay on time discounts.

\$750 and again Simply's offer produces the lowest bill while Momentum's rates produces the highest bill for households with controlled off-peak load.

The blue columns to the left represent the standing offer bill, the red columns are the market offers including guaranteed discounts (but not pay on time discounts) while the green columns are market offer bills including pay on time discounts.²¹

Chart 6 Estimated annual bills (incl GST) for standing and market offers post July 2016, including discounts and pay on time discounts - Households consuming 7,500kWh per annum (20% controlled off peak)



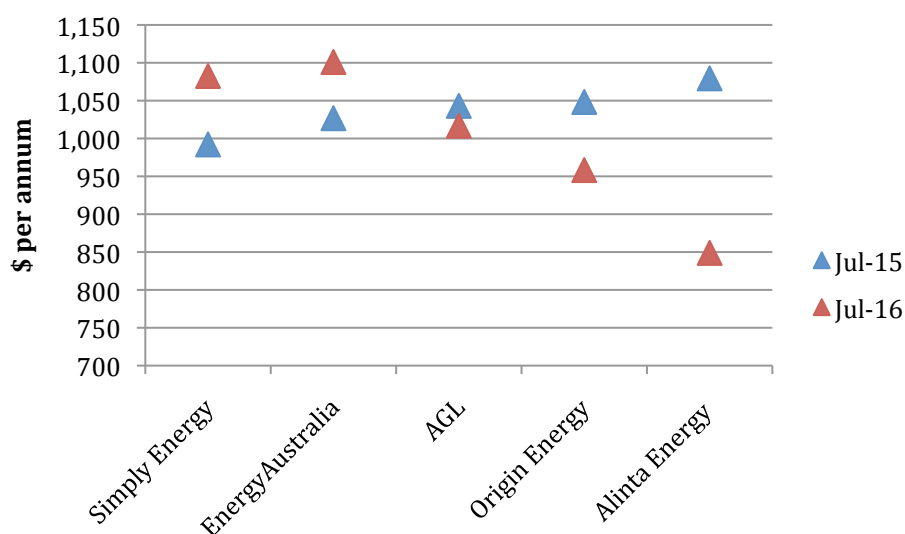
²¹ These market offers were collected between the 4th and the 17th of August 2016 and it should be noted that retailers may change their rates at any time. Discounts (excluding GST) have been applied to consumption and/or total bill as per offers listed in table 3.

2.2 Gas market offers post July 2016²²

There are very few gas market offers in South Australia and the only area where there is more than one market offer is greater Adelaide (households in the other areas only have access to Origin's market offer). As such, the below analysis only comprises standard contracts vs. market offers in the greater Adelaide area.

- The difference between the best and the worst gas market offer is approximately \$250 per annum and the difference between *stand-alone* gas market offers (not including dual fuel offers) is \$140. The price-spread is also greater as of July 2016 compared to last year. See chart 7 below.
- Typical consumption households (21,000 Mj) can save \$190 per annum if switching from Origin's standing offer to the best market offer.²³ See chart 8 below.

Chart 7 Price-spread for five gas market offers post July 2016 (incl GST), including discounts and pay on time discounts - Households consuming 21,000Mj per annum. Note that Simply and Alinta's offers are only available as dual fuel offers.



The discounts (including pay on time discounts) used to estimate the annual bills are shown in table 4 below. Table 4 also shows other contract terms and features, such as early termination fees, associated with these market offers.

²² These market offers were collected on the 19th of August 2016 and it should be noted that retailers may change their rates at any time.

²³ Based on the regulated offer and the best of the published market offers (*including* pay on time discounts).

Table 4 Published gas market offers in the Adelaide gas zone post July 2016: Key additional features and contract conditions

	Discount	Contract term/ benefit period	Early Termination Fee	Late Payment Fee	Pay on time discounts	Other
Origin	No	1 year	No	\$12	10% off usage	No
AGL	No	1 year	No	\$12.73	10% off usage	Yes
Energy Australia	No	1 year	No	\$12	13% off usage	Yes^
Simply*	No	2 years	Up to \$104.5	No	10% off usage	No
Alinta*	No	No	No	No	10% off usage	No

* Gas offers only available in conjunction with electricity (dual fuel offers).

^Energy Australia also offers an additional 2% off usage for customers that agree to e-billing.

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

2.2.1 Potential savings - Differences between gas offers

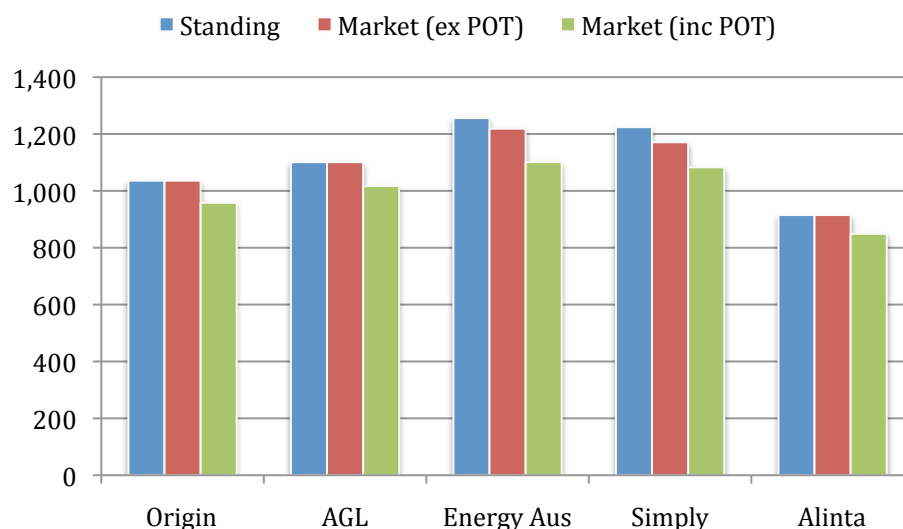
Chart 8 below shows annual retail bills for typical consumption (21,000Mj per annum). The blue columns to the left represent the standing offer bill, the red columns are the market offers including guaranteed discounts (but not pay on time discounts) while the green columns are market offer bills including pay on time discounts.²⁴

It shows that typical consumption households (21,000Mj per annum) on the worst standing offer can save almost \$410 per annum if switching to the best published market offer.²⁵ Households currently on Origin's standing offer can save \$190 if switching to the best market offer. The best market offer (Alinta's) is, however, a dual fuel gas offer and as such only available in conjunction with an electricity contract. AGL, Origin and Energy Australia are the retailers that offer gas as a stand-alone product, and the maximum saving that can be achieved for average consumption households switching from Origin's standing offer to a stand-alone gas market offer is \$80.

²⁴ These market offers were collected on the 19th of August 2016 and it should be noted that retailers may change their rates at any time. Discounts (excluding GST) have been applied to consumption and/or total bill as per offers listed in table 4.

²⁵ Based on market offer bills that include discounts and pay on time discounts.

Chart 8 Estimated annual bills (incl GST) for standing and market offers post July 2016, including discounts and pay on time discounts - Households consuming 21,000 Mj per annum (single rate)



The difference between the best and the worst stand-alone gas market offers is also significant. Origin's offer is approximately \$140 less than Energy Australia's market offer post discounts (and pay on time discounts) for households with this consumption level. Figure 2 below shows estimated annual bills for stand-alone gas market offers post discounts ranked from the lowest annual bill to the highest as well as how they ranked compared to other retailers one year ago (in brackets).

Figure 2 Lowest to highest annual bills (incl GST) for gas market offers post July 2016, including discounts and pay on time discounts - Households consuming 21,000Mj per annum²⁶



²⁶ These bill estimates are based on rates published on the retailers' websites on the 19th of August 2016 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.

3. Retail market developments

This section discusses emerging issues and trends in the energy retail market, and continues to highlight two ongoing issues in the South Australian energy retail market:²⁷

- 1) Increasing price difference (the price-spread) between electricity standing offers and market offers
- 2) The increasing difference in cost between paying bills on time and paying bills late. This difference is due to larger pay on time discounts and late payment fees

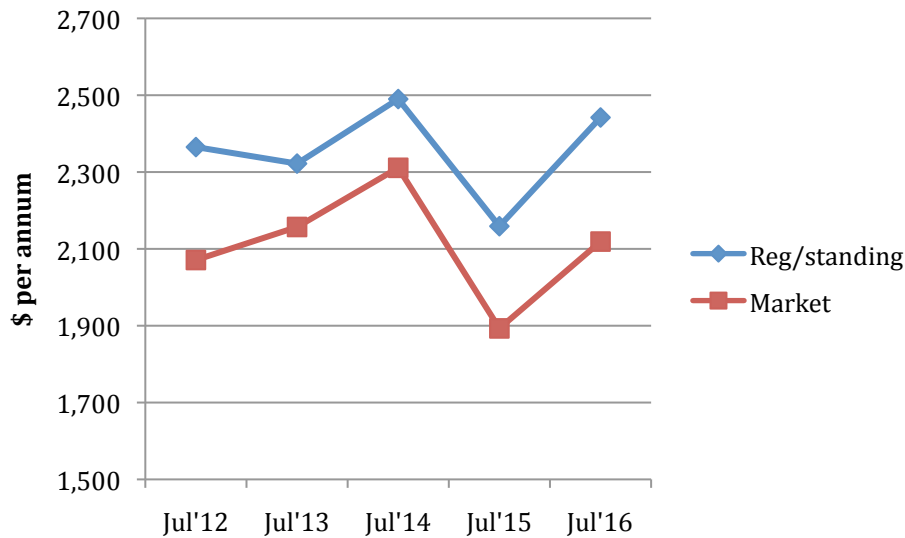
3.1 The price-spread

South Australia deregulated electricity retail prices on 1 February 2013 and while a difference between standing offer bills and market offer bills (including discounts) is to be expected, an increase in the difference could mean that the retailers pass through cost reductions as pay on time discounts rather than adjusting their base rates. Chart 9 below shows the difference to annual bills for typical consumption households on AGL's standing offer and market offer (including pay on time discounts) from July 2012 to July 2016.²⁸ It shows that AGL's market offer (including discounts) was \$290 less (or 12%) than the regulated offer in July 2012. After deregulation, the difference (the price-spread) decreased to \$170-\$180, or 7%, in July 2013 and July 2014. However, it is important to note that AGL was required to offer a transitional rate to standing offer customers for two years after deregulation and that this rate was lower than most market offer rates. The transitional rate ceased existing in February 2015 and as of July 2015 the difference between the standing offer and the market offer is 12%, or \$270 per annum. As of July 2016, the difference has increased to 13% or \$325 per annum.

²⁷ See St Vincent de Paul Society, *South Australian Energy Prices July 2015, An update report on the SA Tariff-Tracking project* by May Mauseth Johnston (August 2015)

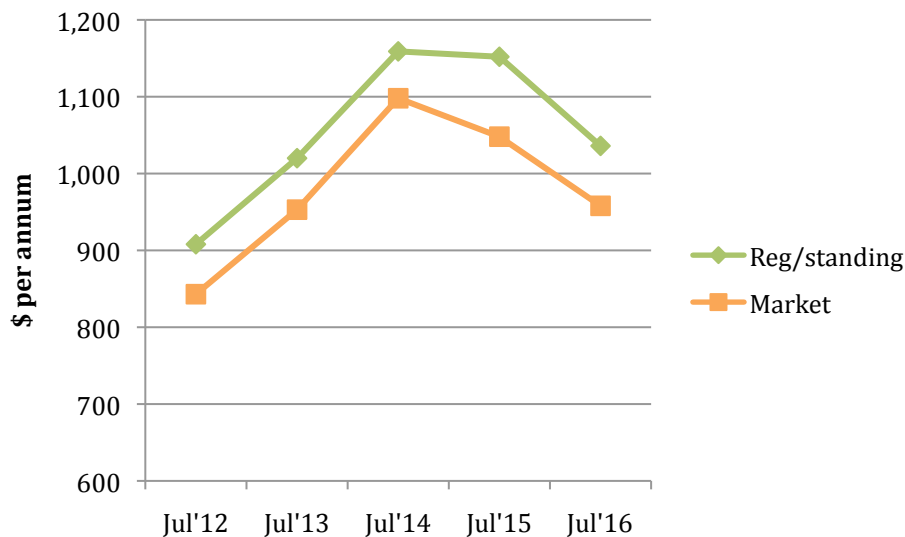
²⁸ Based on households consuming 6,000 kWh per annum. The July 2012 standing offer is the regulated rate.

Chart 9 Electricity: Estimated average annual bills for AGL's standing offer and market offer customers using 6,000 kWh per annum (single rate)



For gas, the difference between the annual bill for customers on Origin's standing offer and Origin's market offer (including discounts and pay on time discounts) increased from approximately \$65 in July 2012, 2013 and 2014 to \$105, or 9%, in July 2015. This year, however, the difference is down to 7.5% or \$80. See chart 10 below.

Chart 10 Gas: Estimated average annual bills for Origin's standing offer and market offer customers using 21,000 MJ per annum



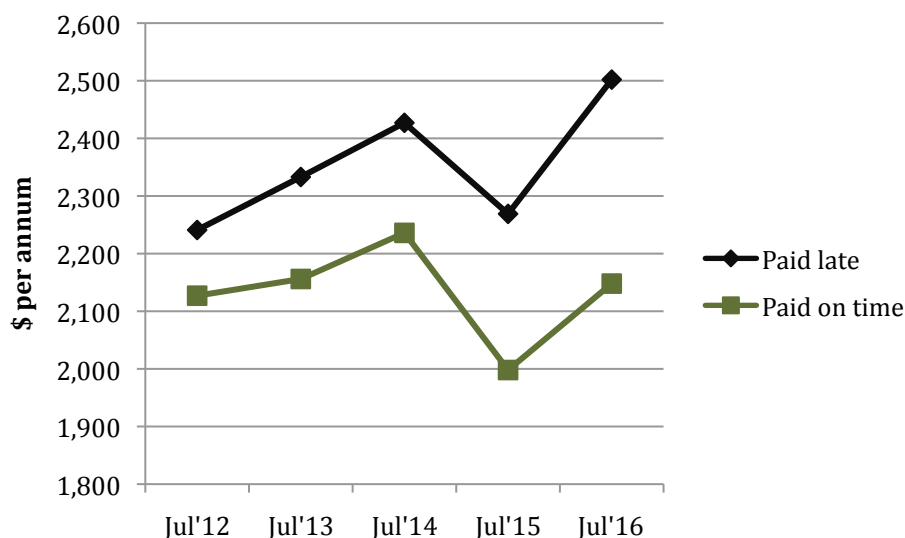
3.2 Pay on time discounts and late payment fees

We have previously raised our concern regarding the use of late payment fees as well as the significant impact they can have on late paying households' bills when applied in conjunction with a pay on time discount.²⁹

Discounting is clearly an effective marketing tool and we note that all retailers currently offering discounts make these conditional upon bills being paid on time. Momentum and Sanctuary Energy are the only two retailers that do not offer discounts (including pay on time discounts).³⁰

In July 2012, annual market offer bills were on average 5.5% (or \$110) more for late paying customers compared to customers that paid on time. By July 2015 the difference had increased to 13.5% (or \$270) and as of July 2016 the difference is 16.5% or \$350 per annum. Chart 11 shows the average annual bill for customers that pay on time and customers that pay late from July 2012 to July 2016.³¹

Chart 11 Average annual electricity bills for market offer customers that pay late and pay on time, 6,000 kWh per annum (single rate)



Pay on time discounts combined with late payment fees, means that South Australian households can be significantly penalised for late payment. Or conversely, South Australian households can be significantly rewarded for prompt payment. It does, however, highlight an issue that negatively impacts on households with cash-

²⁹ See, for example, St Vincent de Paul Society, *South Australian Energy Prices July 2014, An update report on the SA Tariff-Tracking project* by May Mauseth Johnston (August 2014) and St Vincent de Paul Society, *South Australian Energy Prices July 2015, An update report on the SA Tariff-Tracking project* by May Mauseth Johnston (August 2015)

³⁰ Note that Momentum does have one product that offers a direct debit discount.

³¹ Based on households consuming 6,000 kWh per annum (single rate). Late paying bills do not include pay on time discounts (as per retail offer) and include four late fees (if applied by the retailers).

flow problems. AGL, Origin and Energy Australia, for example, all offer discounts of between 15-18% off usage charges if bills are paid on time but they also charge \$12-13 for each bill paid after the due date. Table 5 below shows the annual difference between paying late and paying by the due date for each of the retailers.

Table 5: Difference (\$ and %) in annual bill between paying all bills on time vs. paying all bills late (based on 6,000kWh per annum, single rate, 4 bills per annum). Electricity offers taking affect after July 2016 (incl GST).

Retailer	Difference – paid on time vs. late	
Simply Energy	\$586	33%
Dodo Power & Gas	\$582	29%
EnergyAustralia	\$472	21%
Alinta Energy	\$447	21%
Commander	\$446	22%
Click Energy	\$430	20%
Powerdirect	\$429	21%
Origin Energy	\$394	19%
AGL	\$375	18%
Lumo Energy	\$297	14%
Urth Energy	\$263	12%
Red Energy	\$247	11%
Diamond Energy	\$232	10%
Sanctuary Energy	\$100	4%
Momentum Energy	\$0	0%

4. Supply Charges

The supply charge is a fixed daily charge that is paid in addition to the consumption charges for electricity/gas used. High supply 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 South Australian average. Pensioners make up one of these lower consumption groups.³²

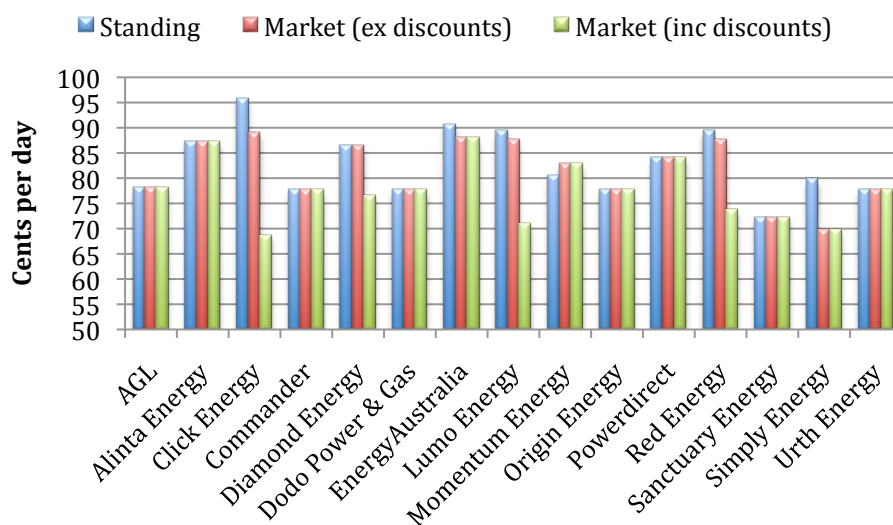
4.1 Electricity supply charges

Consumers shopping around for a better market offer should thus be aware that some retail offers have significantly higher supply charges than other retailers and/or contract types. Chart 12 below shows the daily supply charges (cents per day) for the various offers available post July 2016. The blue columns to the left represent the supply charge for standing offers, the red columns are the market offers including guaranteed discounts (but not pay on time discounts) while the green columns are market offer bills including pay on time discounts.³³ It shows that while most retailers apply the same supply charge to their standing offer and their market offer, five retailers (Click, Energy Australia, Lumo, Red and Simply) apply higher supply charges to their standing offers than they do to market offers. Furthermore, as four retailers (Click, Lumo, Red and Diamond) offer pay on time discounts that include the supply charge, the supply charge can be significantly lower for customers on these offers if they pay their bills by the due date. Click's high supply charge for standing offer customer (approximately 96 cents/day), for example, means that customers would pay almost \$100 more per annum in fixed supply charges on this offer compared to Lumo's market offer (including pay on time discounts). For market offers, including pay on time discount, the difference in the highest supply charge (Energy Australia) and the lowest (Click) is \$70 per annum.

³² 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 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.

³³ These market offers were collected between the 4th and the 17th of August 2016 and it should be noted that retailers may change their rates at any time. Discounts (excluding GST) have been applied to consumption and/or total bill as per offers listed in table 3.

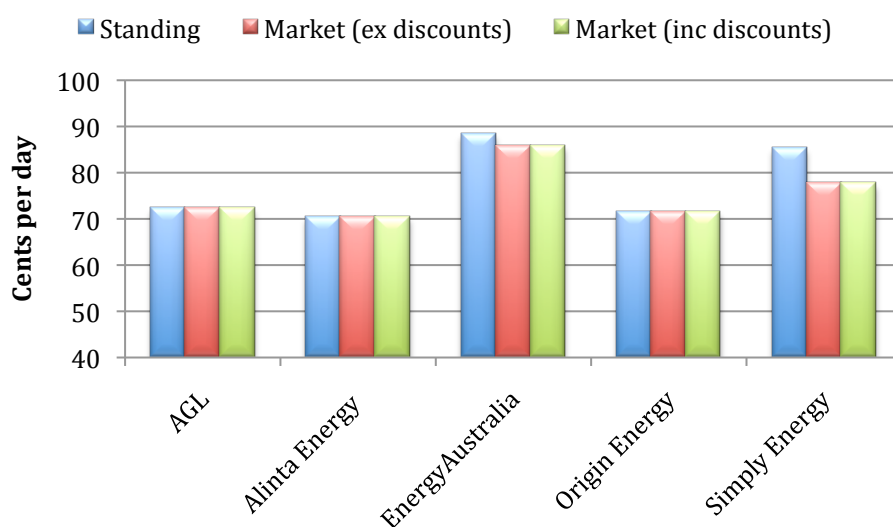
Chart 12 Daily supply charges for electricity (single rate and controlled load), standing offers and market offers post July 2016 (incl. GST)



4.2 Gas supply charges

The price discrepancy between the different retailers' supply charges is similar for gas. Chart 13 shows that Energy Australia's high standing offer supply charge of 88 cents per day means that customers would pay approximately \$65 more per annum in fixed supply charge on this offer compared to Alinta's standing offer (approximately 71cents/day). Furthermore, none of the retailers offer pay on time discounts that impact on the gas supply charges.

Chart 13 Daily supply charges for gas, standing offers and market offers post July 2016 (incl GST)



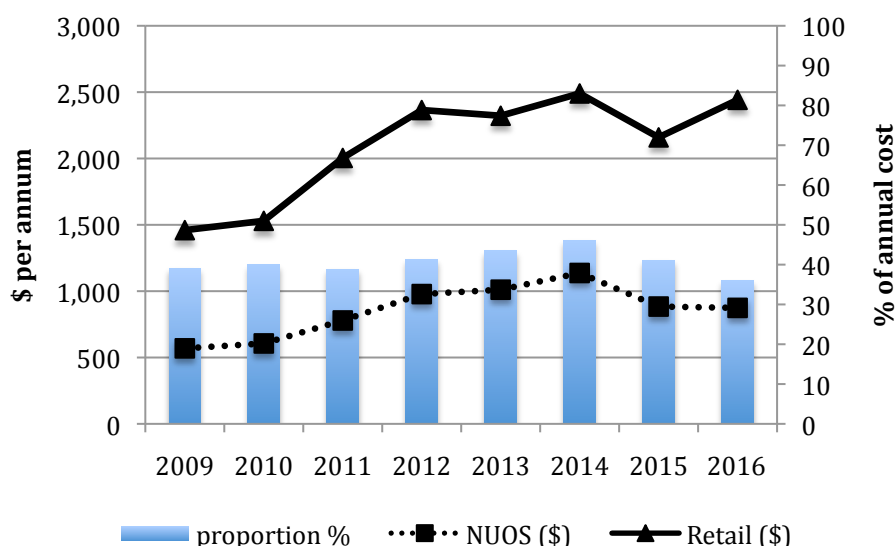
5. Network charges

The South Australian electricity network, SA Power Networks, introduces new Network Use of System (NUOS) charges as of 1 July every year.³⁴ These NUOS charges are approved by the Australian Energy Regulator (AER) and comprise Transmission Use of System (TUOS) and Distribution Use of System (DUOS) as well as other costs such as jurisdictional charges and metering charges. The retailers can, and generally will, build changes to the NUOS (in relation to both shape and price) into their retail tariffs.

The chart presented in this section shows that NUOS charge increased every year from 2009 to 2014 before significantly reducing in July 2015 and remaining stable in July 2016. The NUOS currently accounts for 36% of an average consumption customer's bill. Furthermore, the chart shows that the total retail bill is currently similar to that of July 2014 despite the NUOS charges being significantly lower. The key drivers of recent price increases are therefore the competitive market (wholesale and/or retail) rather than the regulated network industry.

Chart 14 shows annual retail bills (solid line), NUOS charges as annual cost (dotted line) and NUOS as proportion of annual bill (columns).

Chart 14 SA Power Networks: Annual retail bills (incl. GST), NUOS charges (excl. GST) and NUOS as proportion of total bill from 2009 to 2016 (based on the regulated/standing offer retail tariff, single rate, 6,000 kWh per annum)³⁵



³⁴ SA Power networks was previously known as ETSA Utilities

³⁵ Based on the regulated/ AGL's standing offer rates from 2009 to 2016, presented as annual bills for households using 6,000kWh per annum (single rate). The annual NUOS charges have been calculated by allocating 1,500kWh per quarter (again based on annual consumption of 6,000kWh) to the step charges stipulated in the NUOS. The annual NUOS cost also includes fixed charges.

6. Solar Offers

There are approximately 193,500 domestic solar systems in South Australia.³⁶ Many of these households are currently receiving a solar feed in rate (FIT) of 44 cents per exported kWh but as these schemes are closed to new entrants, customers currently looking for solar offers need to assess both the retailers' FIT rates as well as the cost of electricity imported.

This section analyses and compares market offer bills for South Australian customers with 1.5 kW and 3 kW systems installed. As retailers are not required to publish rates for solar products purchased and installed through them, this analysis only examines electricity offers available to customers independently of solar panels and installation.

Methodology and assumptions

To calculate the annual bills for the various solar market offers the following assumptions and methodology have been applied:

- An annual household consumption of 6,000kWh (including both produced and imported).
- For customers with controlled load, 20% of the total consumption has been allocated to the off-peak rate.
- Calculations have been produced for households with 1.5 kW and 3 kW systems only.
- For Adelaide households, an annual generation capacity per kW installed of 1.680 MWh and an export rate of 51.8% for 3 kW systems and 22.1% for 1.5 kW systems.³⁷
- For non-metropolitan households, an annual generation capacity per kW installed of 1.875 MWh and an export rate of 56.8% for 3 kW systems and 20.2% for 1.5 kW systems.³⁸
- Only FIT rates available to new customers have been included. Retailer funded FIT rates have been applied as per offer (see table 6 below).
- A flat annual consumption has been assumed.
- The annual bills have been based on quarterly bill calculations and all step increases have been applied as quarterly thresholds (including when the retail offer refers to daily or monthly thresholds). Daily fixed charges have been multiplied by 91 to calculate the quarterly amount.

³⁶ Clean Energy Council, Clean Energy Australia Report 2015,25

³⁷ These figures are based on NSW (outside Sydney) and were used for the analysis presented in a report for the Alternative Technology Association (ATA) by Alviss Consulting (Alviss Consulting, Retail Offers and Market Transparency for New Solar Customers, June 2013). 20Forecast%20PV%20Capacity%20&%20Tariff%20Payments.pdf

³⁸ Ibid

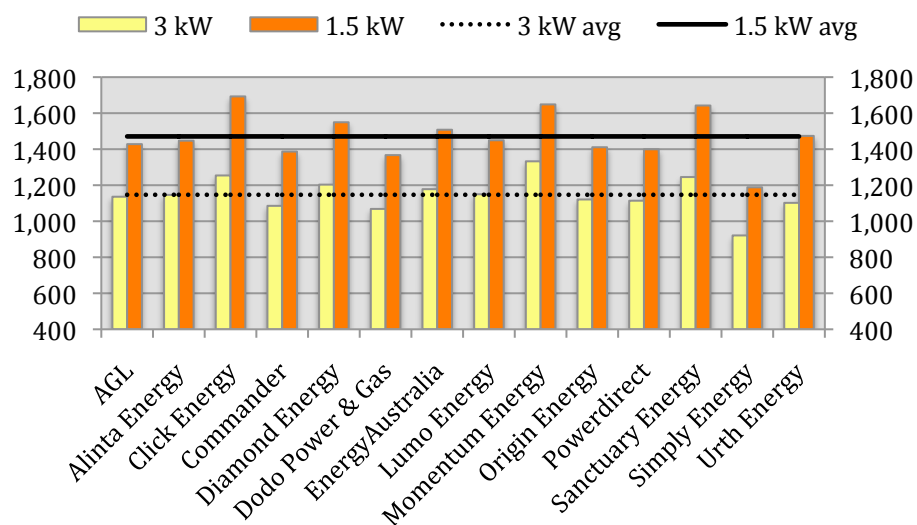
Table 6: Retailers' FIT rates

Retailer*	Offer	FIT rate (c/kWh)
AGL	Savers (solar)	6.8
Alinta Energy	Harvey Norman	6.8
Click Energy	Shine Plus	12.0
Commander	Market offer	7.0
Diamond Energy	Pay on time discount	8.0
Dodo Power & Gas	Market offer	7.0
EnergyAustralia	Flexi Saver	8.2
Lumo Energy	Advantage	7.0
Momentum Energy	SmilePower	6.8
Origin Energy	Saver	6.8
Powerdirect	18 percent	6.8
Sanctuary Energy	Supplementary FIT	10.0
Simply Energy	Autumn Sale	6.8
Urth Energy	Market offer	10.0

* Red Energy does not offer market offer contracts to solar customers in South Australia

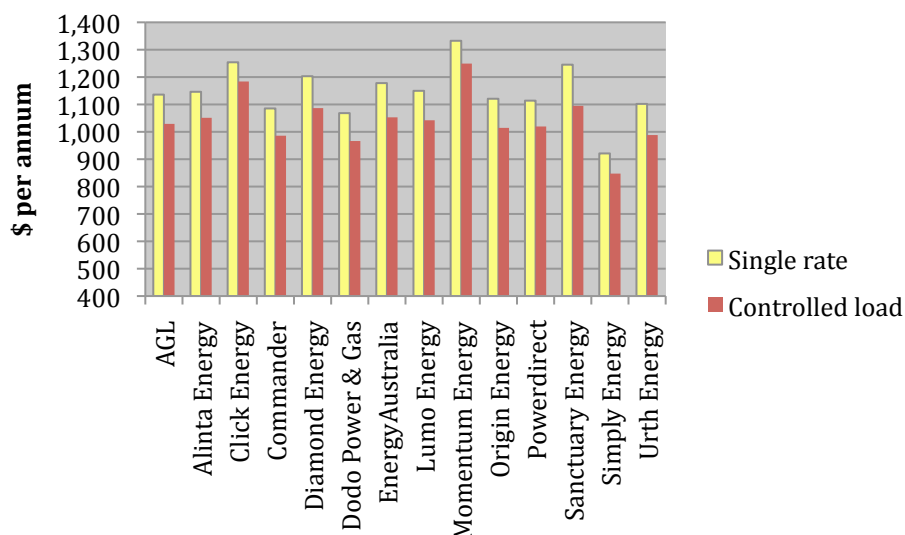
Chart 15 below compares annual retail bills for solar customers in Adelaide with 3 kW and 1.5 kW installed. It shows that Click, Diamond, Momentum and Sanctuary's offers produce annual bills above the average for both 3 kW and 1.5 kW systems. Adelaide solar customers with 3 kW systems (and this consumption level) would be approximately \$410 per annum better off on Simply's offer compared to Momentum's offer. Customers with a 1.5 kW system installed may save \$500 per annum if they switched from Click to Simply's offer. As Click, Urth and Sanctuary Energy all offer relatively high FIT rates (Click's is 12 cents, Urth and Sanctuary offer 10 cents) while Simply's FIT rate is only 6.8 cents, this shows the importance of solar customers not choosing retail offers based on FIT rates alone.

Chart 15 Annual bills including discounts and FIT credits for *Adelaide* customers with 3 kW and 1.5 kW solar systems. Electricity offers post July 2016 as annual bills, Single rate, 6,000kWh (GST inc).³⁹



Charts 16 and 17 below show annual bills for Adelaide solar customers on single rate and controlled load offers.

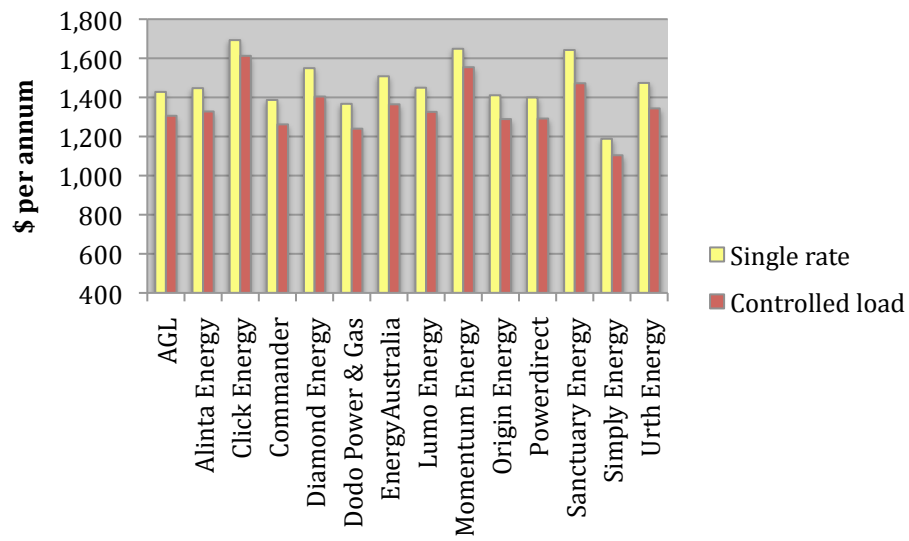
Chart 16 Annual bills including discounts and FIT credits for *Adelaide* customers with a 3 kW solar system. Electricity offers post July 2016 as annual bills, single rate and controlled load, 6,000kWh (GST inc).⁴⁰



³⁹ Calculations include discounts off usage or bill as well as pay on time discounts off usage or bill.

⁴⁰ Ibid

Chart 17 Annual bills including discounts and FIT credits for *Adelaide* customers with a 1.5 kW solar system. Electricity offers post July 2016 as annual bills, single rate and controlled load, 6,000kWh (GST inc).⁴¹



⁴¹ Ibid

Figure 2 below shows estimated annual bills for solar market offers including FIT and discounts.

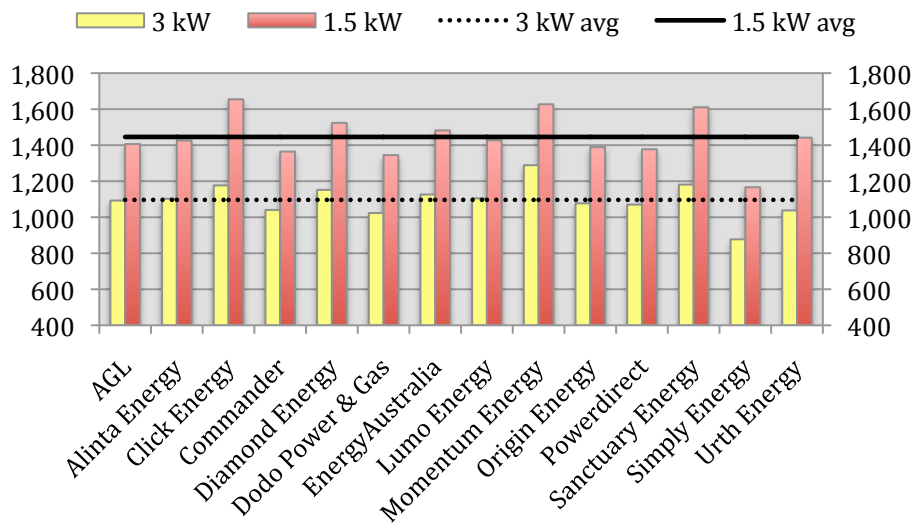
Figure 2 Lowest to highest annual bills (incl GST) for solar market offers post July 2016, including discounts and pay on time discounts – Adelaide households with 3kW systems installed and consuming 6,000kWh annum (including both produced and imported), single rate⁴²

	1. Simply Energy	\$921
	2. Dodo	\$1,068
	3. Commander	\$1,085
	4. Urth Energy	\$1,102
	5. Powerdirect	\$1,114
	6. Origin Energy	\$1,121
	7. AGL	\$1,136
	8. Alinta	\$1,146
	9. Lumo Energy	\$1,150
	10. Energy Australia	\$1,178
	11. Diamond	\$1,203
	12. Sanctuary Energy	\$1,245
	13. Click Energy	\$1,254
	14. Momentum	\$1,333

Homes outside Adelaide's metropolitan area will typically have less overshadowing and therefore a higher generation capacity and export rate. Chart 18 compares annual retail bills for solar customers in Brisbane with 3 kW and 1.5 kW installed. It shows that the annual bills for solar customers are somewhat lower in non-metropolitan areas but the same retailers produce higher than average bills and the price-spread is similar to that in metropolitan areas (see chart 15 above).

⁴² These market offers were collected between the 1st and the 4th of August 2015 and it should 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.

Chart 18 Annual bills including discounts and FIT credits for *regional and rural* customers with 3 kW and 1.5 kW solar systems. Electricity offers post July 2016 as annual bills, single rate, 6,000kWh (GST inc).⁴³



⁴³ Calculations include discounts off usage or bill as well as pay on time discounts off usage or bill.