

# NSW Energy Prices 2013 - 2014

An update report on the  
NSW Tariff-Tracking Project

May Mauseth Johnston  
August 2014



**St Vincent de Paul Society**

*good works*

**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 Australian Energy Regulator's "Energy Made Easy" website or contact the energy retailers directly.

New South Wales Energy Prices July 2013 – July 2014  
An Update Report on the NSW Tariff-Tracking Project  
by May Mauseth Johnston

**May Mauseth Johnston, August 2014**

**Alvis Consulting Pty Ltd**

ABN 43147408624



**© St Vincent de Paul Society and Alvis Consulting Pty Ltd**

This work is copyright. Apart from any use permitted under the Copyright Act 1968 (Ctw), no parts may be adapted, reproduced, copied, stored, distributed, published or put to commercial use without prior written permission from the St Vincent de Paul Society.

**Contact: Gavin Dufty**

Manager Policy and Research, Victoria

Phone: (03) 98955816/04 3935 7129

**Acknowledgements**

This project was funded by a research grant from the Consumer Advocacy Panel ([www.advocacypanel.com.au](http://www.advocacypanel.com.au)) as part of its grants process for consumer advocacy projects and research projects for the benefit of consumers of electricity and natural gas.

The views expressed in this document do not necessarily reflect the views of the Consumer Advocacy Panel or the Australian Energy Market Commission.

### **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 we can thus soon expect changes to NSW electricity and gas prices.

As the methodology of the Vinnies' Tariff-Tracking project is based on providing annual price updates as of July every year, we do not believe the repeal of the carbon tax is a reason to delay this project. Rather, we see price changes due to the repeal as a separate project in the short term and note that its impact should also be evident in the following Tariff-Tracking update for NSW.

## **Table of Contents**

<b>Acknowledgements</b>	<b>2</b>
<b>Note regarding the Repeal of the carbon tax bill</b>	<b>3</b>
<b>The NSW Tariff-Tracking Project: purpose and outputs</b>	<b>5</b>
<b>Key findings</b>	<b>7</b>
<b>1. Energy price changes from July 2013 to July 2014</b>	<b>9</b>
<b>2. Market offers July 2014</b>	<b>19</b>
2.1 Electricity market offers July 2014	19
2.1.1 Potential savings - Differences between electricity offers	20
2.2 Gas market offers July 2014	27
2.2.1 Potential savings - Differences between gas offers	28
<b>3. Network charges and the bill-stack</b>	<b>30</b>
<b>4. Total cost of energy by area</b>	<b>35</b>
4.1 Inner Sydney, Northern Sydney, Swansea, Newcastle, Maitland, Cessnock Singleton and Upper Hunter	35
4.2 Western Sydney, Wollongong, Blue Mountains, Lithgow, Kandos, Moss Vale, Nowra, Ulladulla	36
4.3 Rural and Regional NSW	37

## The NSW 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. The Australian Energy Market Commission (AEMC) completed its review of effectiveness of competition in NSW in October 2013 and the Final Report stated that:

“We are confident that competition in NSW is now sufficiently robust to promote choice for consumers and we expect removing retail price regulation for all consumers will lead to more innovation, increased product choice, and competitive pricing.”<sup>1</sup>

On 7 April 2014, the NSW Government announced the deregulation of retail electricity prices from 1 July 2014. As part of a two year long transitional arrangement, customers still on the regulated price will be transferred to a transitional tariff that should reduce their annual bill by 1.5% in the first year.

“For most households on a transitional tariff, their bill will be 1.5% lower in the first year compared with the former regulated price, however many market offers may be even cheaper.”<sup>2</sup>

By July 2015, however, customers still on the transitional tariff can expect to see a price increase in line with the Consumer Price Index (CPI).<sup>3</sup>

The Independent Pricing and Regulatory Tribunal (IPART) has therefore this year only determined the new retail prices for gas (that took effect on 1 July 2014).

Importantly, the NSW Tariff –Tracking tool will now allow consumer advocates to undertake ‘before and after’ comparisons and monitor potential impacts of deregulation on NSW consumers, as well as energy affordability and market developments more broadly.

This project has tracked electricity and gas tariffs in NSW from July 2009 to July 2014, and developed a spreadsheet-based tool that allows consumer advocates to build on

---

<sup>1</sup> AEMC, Review of Competition in the Retail Electricity and Natural Gas Markets in New South Wales, Final Report, October 2013, p i

<sup>2</sup> Barry O’Farrell, Premier of NSW, *Delivering lower electricity prices for NSW households*, Media Release, 7 April 2014

<sup>3</sup> Energy Australia, *Deregulation to lower prices for NSW regulated consumers*, Media Release, 7 April 2014

the initial analysis and continue to track changes as they occur.<sup>4</sup> The first report for the NSW Tariff-Tracking project was published in August 2011 and this is the second 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 NSW gas and electricity offers.

Workbook 1: Regulated electricity offers July 2008-July 2014

Workbook 2: Regulated gas offers July 2009-July 2014

Workbook 3: Electricity market offers July 2011, 2012, 2013 and 2014<sup>5</sup>

Workbook 4: Gas market offers July 2011, 2012, 2013 and 2014

The four workbooks and the reports are available at

[www.vinnies.org.au/page/Our\\_Impact/Incomes\\_Support\\_Cost\\_of\\_Living/Energy/](http://www.vinnies.org.au/page/Our_Impact/Incomes_Support_Cost_of_Living/Energy/)

---

<sup>4</sup> The regulated electricity offers workbook also contains the 2008 rates

<sup>5</sup> All market offers are published offers and do not include special offers that retailers market through door-knocking campaigns or brokers. We use the AER website as well as the retailers own websites to collect market offer for the Tariff-Tracking tool. If the retailer has more than one market offer we use the offer with the greatest guaranteed discount. 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.

## Key findings

- For the first time in NSW, electricity retailers have set the standing offer rates themselves (the deregulation was announced in April 2014) and electricity price increases have been moderate this year. Customers in Endeavour's network area have seen the greatest increase to electricity rates in July 2014. See chart 1 below.
- Electricity customers on the regulated rate prior to 1 July 2014 (approximately 35% of residential customers) have been transferred to a "transitional tariff" that is between 1.5% and 4.1% less (depending on network area and meter type) than last year's regulated rates. See chart 2 below.
- While some retailers have published standing offer rates similar to last year's regulated rates, others have set their rates well above, or below, last year's rates. See charts 3 -8 below.
- Gas price increases have been significant (between 16 and 22%) across all gas zones.
- Households in Tamworth (Origin's gas zone) are facing the greatest gas price increases. The annual gas bill for average consumption households in this gas zone has increased by approximately \$210. See chart 11 below.
- Customers switching from the worst electricity standing offer to the best market offer can save up to \$560 – \$710 per annum (depending on the network area) if bills are paid on time.<sup>6</sup> See section 2.
- Customer switching from the 'transitional offer' to the best market offer can save up to \$345 per annum in Ausgrid's area, \$390 in Endeavour and \$460 in Essential's network area.<sup>7</sup> See section 2.
- The difference between electricity market offers is also significant. In Essential's area, the difference between the best and the worst market offer is \$455 per annum. In Ausgrid the difference is \$395 and in Endeavour it is \$340.<sup>8</sup> See section 2.

---

<sup>6</sup> Based on the worst standing offer (7,200kWh, single rate) and the best of the published market offers (*including* additional discounts and/or pay on time discounts).

<sup>7</sup> Based on the 'transitional offer' (7,200kWh, single rate) and the best of the published market offers (*including* additional discounts and/or pay on time discounts).

<sup>8</sup> Households using 7,200kWh per annum (single rate) and all market offer bills include additional discounts and/or pay on time discounts.



- Typical consumption gas customers can potentially save \$205 on their annual gas bill (including discounts and pay on time discounts) by switching from the regulated offer to Lumo's market offer.<sup>9</sup> However, as this offer is only available in conjunction with electricity, potential customers should carefully examine Lumo's electricity offer. If switching from the regulated offer to one of three retailers that offer gas as a stand-alone product, customers may save between \$40 and \$60 per annum. See section 2.
- While the electricity Network Use of System charges (NUOS) or network costs increased significantly from 2009 to 2011 they have flattened out (in Endeavour Energy's area) or decreased (Ausgrid and Essential) since then. As such, network charges as proportion of total bill have also flattened out or decreased in recent years. See section 3.
- The annual energy cost for dual fuel households with typical consumption levels has increased by between \$125 and \$230. Households in Tamworth are seeing the greatest increases while Albury, Jindera and Moama are at the lower end.<sup>10</sup> See section 4.

---

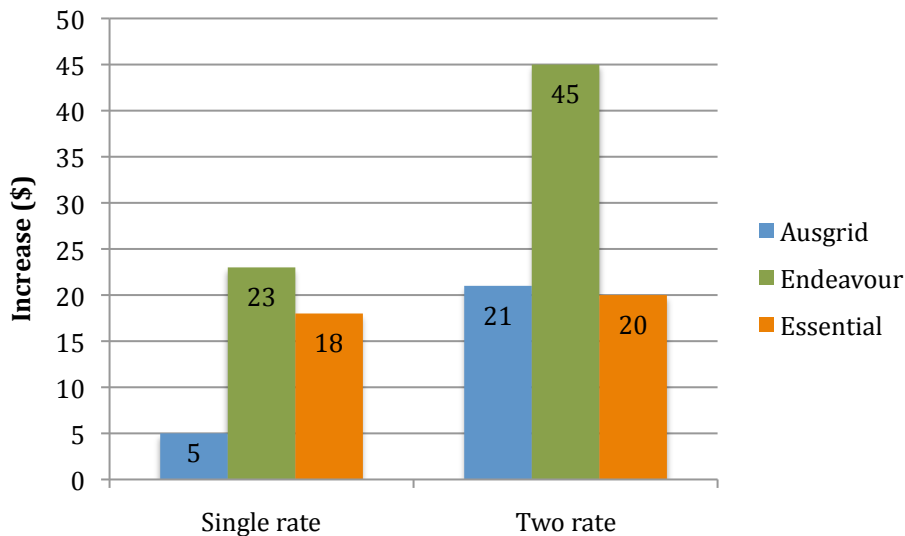
<sup>9</sup> Based on the regulated offer (24,000Mj per annum) and the best of the published market offers (*including* additional discounts and/or pay on time discounts).

<sup>10</sup> These calculations are based on increases to the average standing offer for single rate electricity customers using 7,200kWh per annum and increases to the regulated offer for gas customers using 24,000Mj per annum.

## 1. Energy price changes from July 2013 to July 2014<sup>11</sup>

A comparison of the July 2014 regulated rate to the average retail offer (across all retailers) in July 2014 shows that electricity costs increased slightly in July 2014. Chart 1 below shows annual increases for average consumption households (per meter type) in the three network areas.

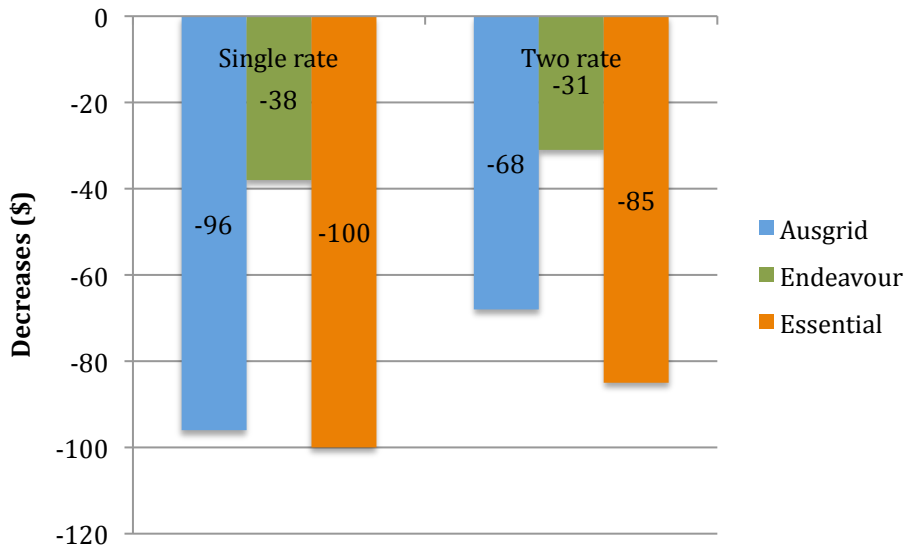
**Chart 1** Increases to the annual electricity bill from July 2013 (regulated rate) to July 2014 (average standing offer), Based on 7,200kWh per annum for single rate and 8,000kWh per annum for customers with controlled load (30% off-peak 1), incl GST



Customers on the 'transitional offer', however, have received electricity price decreases of between 1.5% and 4.1% (depending on network area and meter type). Chart 2 below shows annual decreases for average consumption households (per meter type) in the three network areas.

<sup>11</sup> These calculations are based on increases to the average standing offer for single rate electricity customers using 7,200kWh per annum, increases to the average standing offer for controlled load electricity customers (typically all-electric households) using 8,000kWh per annum (thereof 30% off-peak) and increases to the regulated offer for gas customers using 24,000Mj per annum.

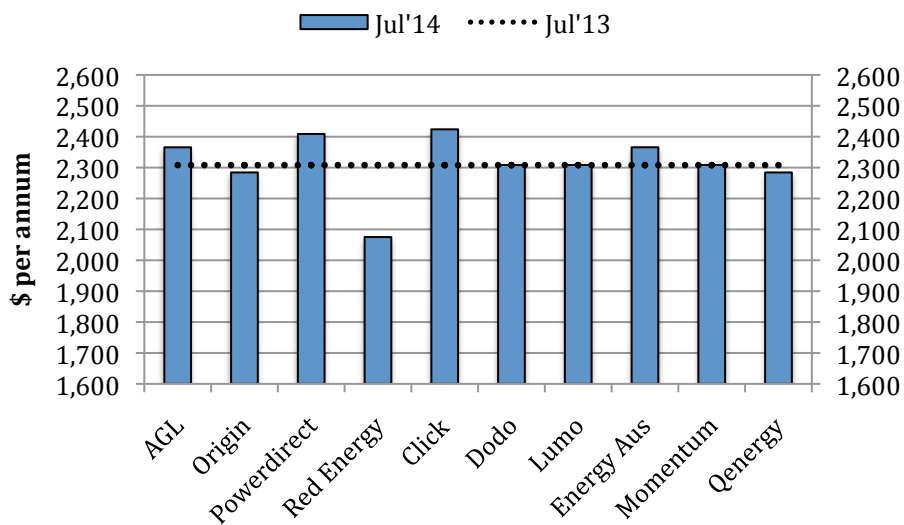
**Chart 2** Decreases to the annual electricity bill from July 2013 (regulated rate) to July 2014 (transitional offer), Based on 7,200kWh per annum for single rate and 8,000kWh per annum for customers with controlled load (30% off-peak 1), incl GST



Charts 3-5 show estimated annual bills for single rate customers (7,200kWh/annum) in each of the three network areas. They show that while some retailers current standing offer rates are higher than last year’s regulated rates, others have lower.

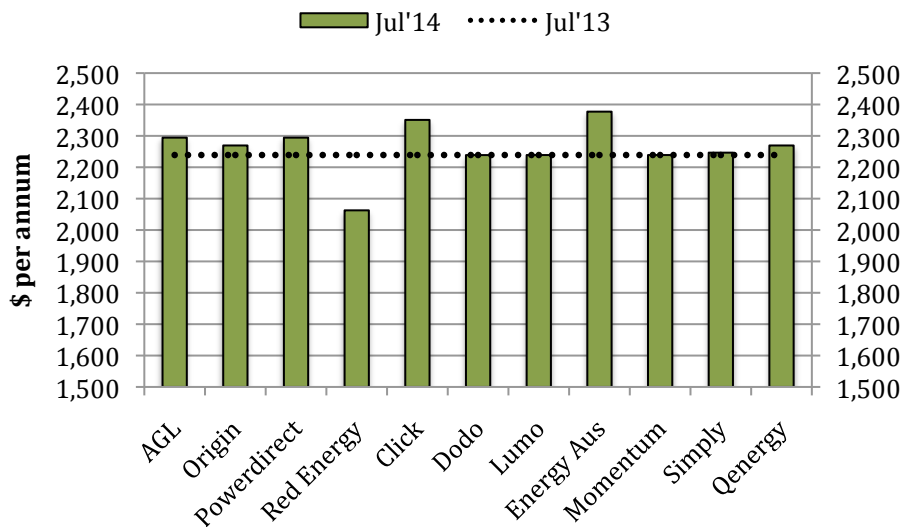
In Ausgrid’s network area, four retailers have standing offer rates that are higher than last year’s regulated rates, including Energy Australia, which is the incumbent retailer in this area. Furthermore, Click Energy’s standing offer rates would produce an annual bill increase of \$115 compared to last years’ regulated rates. Red Energy’s standing offer, on the other hand, would result in a decrease of \$235 per annum for this consumption level.

**Chart 3** Ausgrid: Annual cost of electricity, July 2013 (regulated rate) vs. July 2014 (standing offers), Based on 7,200kWh per annum for single rate, incl GST



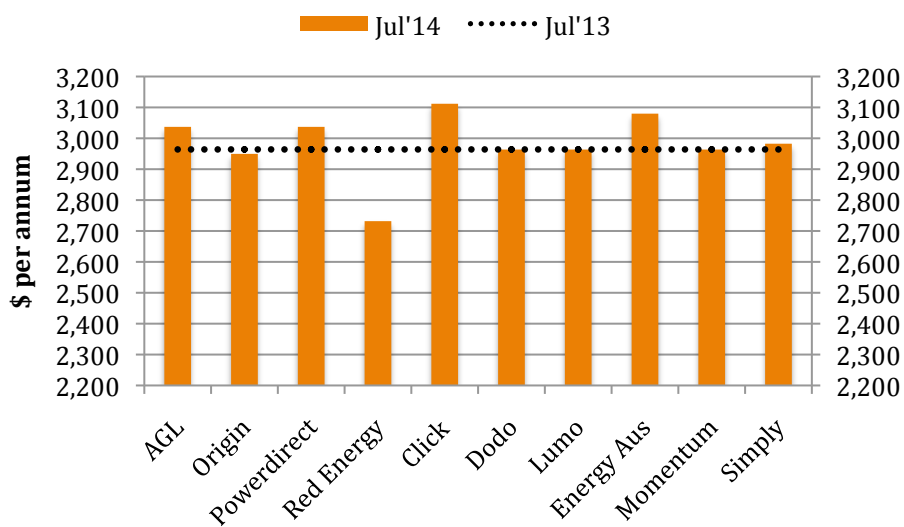
The Endeavour Energy network area has six standing offer rates that are higher than last year's regulated rates and only one that is lower. Origin, which is the incumbent retailer in this area, has standing offer rates that are slightly above last year's regulated rates.

**Chart 4** Endeavour: Annual cost of electricity, July 2013 (regulated rate) vs. July 2014 (standing offers), Based on 7,200kWh per annum for single rate, incl GST



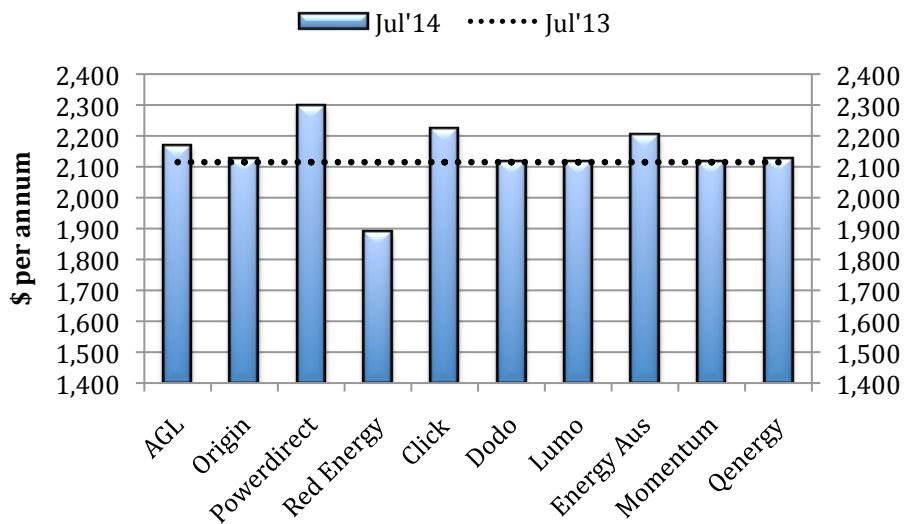
In the Essential Energy network, four retailers have higher rates and five retailers have rates that produce annual bills similar to last year's regulated offer. The incumbent retailer, Origin, is one of those five.

**Chart 5** Essential: Annual cost of electricity, July 2013 (regulated rate) vs. July 2014 (standing offers), Based on 7,200kWh per annum for single rate, incl GST

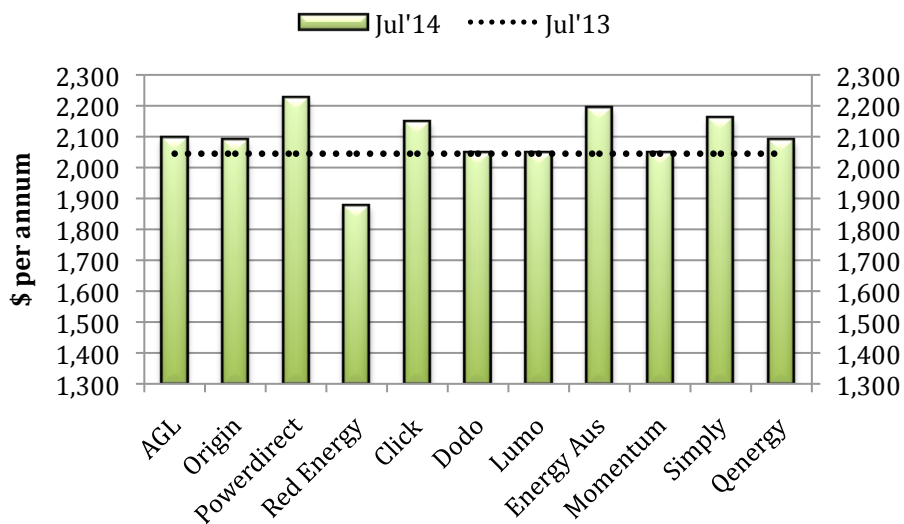


Charts 6 -8 below show a similar trend for all-electric households (8,000kWh/annum) with controlled off-peak consumption (30%).

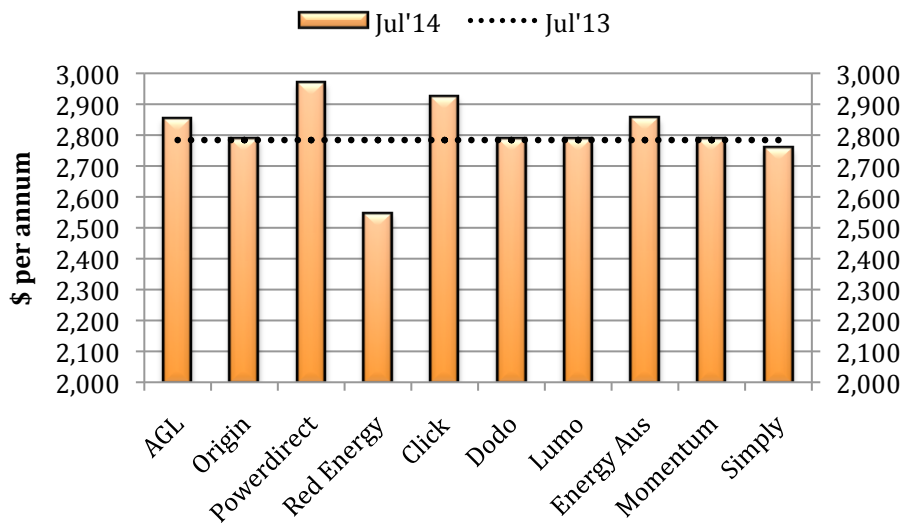
**Chart 6** Ausgrid: Annual cost of electricity, July 2013 (regulated rate) vs. July 2014 (standing offers), Based on 8,000kWh per annum and 30% controlled load (off-peak 1), incl GST



**Chart 7** Endeavour: Annual cost of electricity, July 2013 (regulated rate) vs. July 2014 (standing offers), Based on 8,000kWh per annum and 30% controlled load (off-peak 1), incl GST



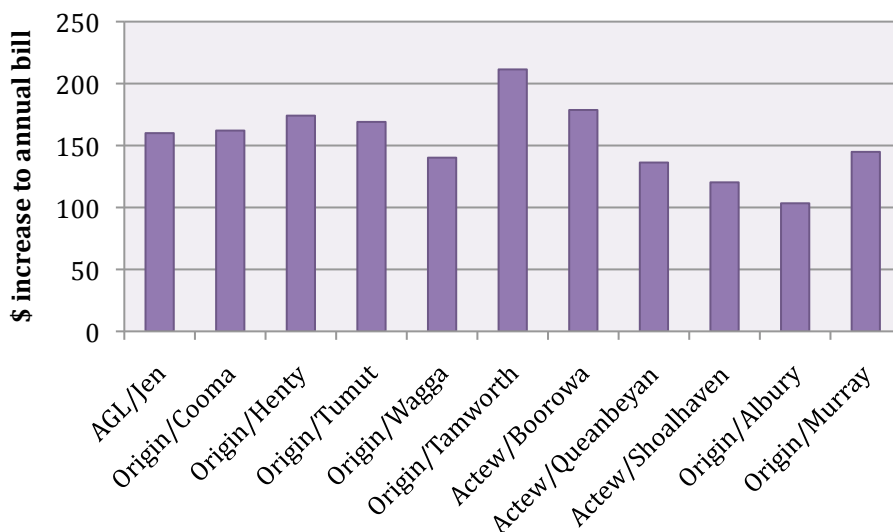
**Chart 8** Essential: Annual cost of electricity, July 2013 (regulated rate) vs. July 2014 (standing offers), Based on 8,000kWh per annum and 30% controlled load (off-peak 1), incl GST



As the NSW Government did not deregulate the gas retail market, the Independent Pricing and Regulatory Tribunal (IPART) continues to regulate the standing offer gas rates in NSW.

Gas prices rose significantly from 1 July 2014 across the NSW. The annual gas bill is up by \$210 for average consumption households in Tamworth while households in the Albury gas zone have had an increase of approximately \$100 to the annual bill. In terms of percentage increases, however, the towns of Temora, Holbrook, Henty, Culcairn and Walla Walla are subject to the greatest price rise at 22%.

**Chart 9** Increases to the annual cost of gas from July 2013 to July 2014 for households using 24,000Mj per annum



The three standard gas retailers are AGL, ActewAGL and Origin Energy. The AGL/Jemena zone is the largest in terms of customer numbers. Origin currently has seven pricing zones while ActewAGL has three.

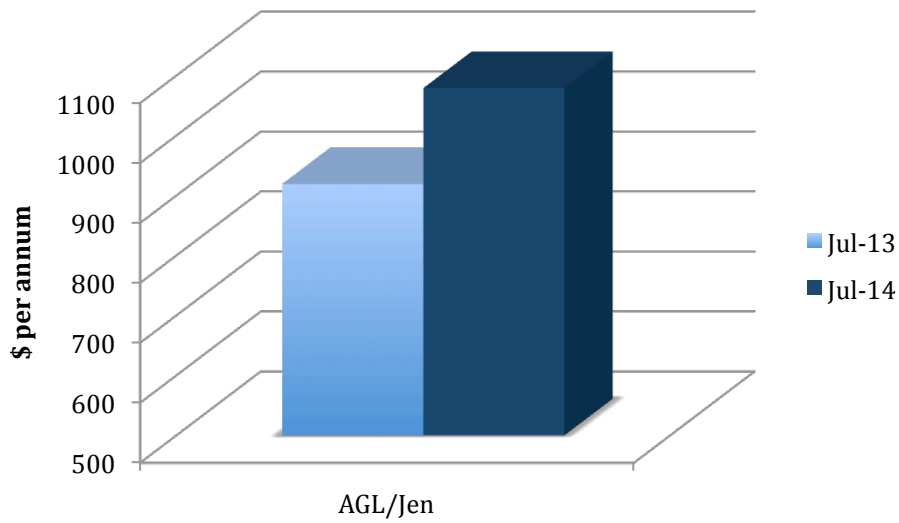
**Table 1** Gas supply areas in NSW

<b>NSW Gas Zones</b>	
<b>AGL</b>	Sydney, Newcastle, Wollongong, Blue Mountains
<b>Origin</b>	Cooma and Bombala
	Temora*, Holbrook, Henty, Culcairn and Walla Walla
	Tumut and Gundagai
	Wagga Wagga and Uranquity
	Tamworth
<b>ActewAGL</b>	Boroowa, Goulburn, Yass and Young
	Queanbeyan and Bundgendore
	Shoalhaven
<b>Origin</b>	Albury, Moama and Jindera
	Murray Valley Towns

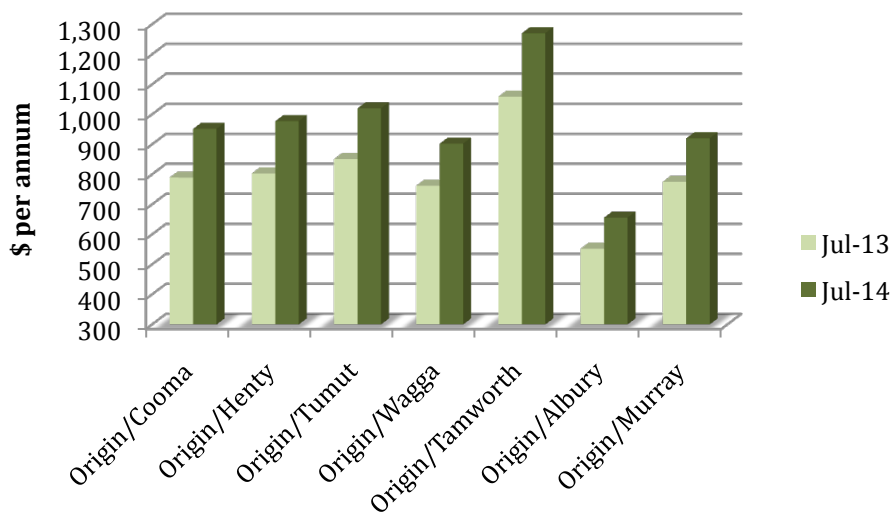
\* Temora has been under the same pricing zone as Holbrook, Henty etc. since July 2013

The difference between winter and summer consumption will vary significantly from household to household (depending primarily upon usage of gas space heating). The charts below do not adjust for increased winter consumption but assume consistent consumption levels throughout the year and, for seasonal tariffs, the winter/summer prices have been allocated according to the timeframes to which they apply, e.g. 4 months winter peak (33.33% of the year) and 8 months summer off-peak (66.66% of the year). Because of the seasonality of gas consumption and gas tariffs the annual bill calculations presented in this report are indicative only, and their primary purpose is to track changes over time and analyse differences between gas zones. The charts below are based on an average annual consumption of 24,000Mj per annum and show annual gas bill as of July 2014 compared to July 2013 for each gas zone.

**Chart 10** Estimated annual bills for regulated gas offers in AGL/Jemena’s area, July 2013 and July 2014 (24,000Mj per annum, inc GST)



**Chart 11** Estimated annual bills for regulated gas offers in Origin’s area, July 2013 and July 2014 (24,000Mj per annum, inc GST)<sup>12</sup>



<sup>12</sup> Note: The Cooma zone includes Bombala. The Henty zone includes Holbrook, Culcairn, Temora and Walla Walla. The Tumut zone includes Gundagai. The Wagga Wagga zone includes Uranquity. The Albury zone includes Moama and Jindera. The Murray Valley zone covers Murray Valley towns.



**Chart 12** Estimated annual bills for regulated gas offers in ActewAGL’s area, July 2013 and July 2014 (24,000Mj per annum, inc GST)<sup>13</sup>

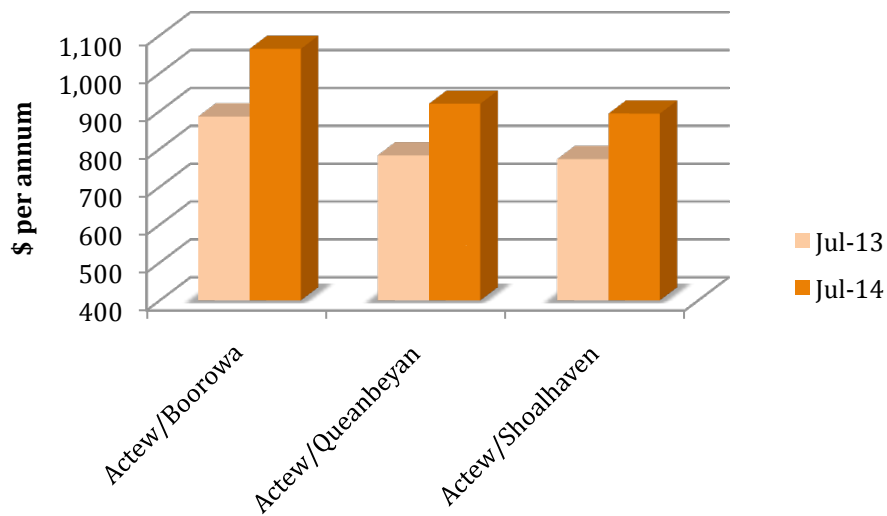


Table 2 and 3 below highlight some of the price trends for NSW electricity and gas offers. For more detailed information about the areas and differences in energy price increases see section 4.

<sup>13</sup> Note: The Boorowa zone includes Goulbourn, Yass and Young. The Queanbeyan zone includes Bungendore.

**Table 2** Electricity price increases by area July 2013 – July 2014<sup>14</sup>

Area	Increase to annual bill since July 2013		Percentage increase
	Single rate	Two rate <sup>^</sup>	
<b>Inner Sydney, the Central Coast up to Newcastle, and inland areas such as Maitland, Cessnock, Singleton and Upper Hunter (Ausgrid)</b>	\$5	\$20	0.2 - 1%
<b>Western Sydney, most of the Illawara Coast, the Blue Mountains and inland towns such as Lithgow and Kandos (Endeavour Energy)</b>	\$25	\$45	1-2%
<b>Most of rural and regional NSW - from north of Port Stephens and Murrundi, south of Batemans Bay and east of Lithgow (Essential Energy)</b>	\$20	\$20	0.5%

<sup>^</sup> For all-electric households with peak/off-peak (controlled load) rates

<sup>14</sup> Based on household consumption of 7,200kWh per annum at the rate of the regulated/standing offer for the single rate tariff. The second calculation is based on household consumption of 8,000kWh per annum at the rate of the regulated/standing offer for the controlled load tariff. The bill calculations for July 2013 are based on the regulated rate while the bill calculations for July 2014 are based on the average standing offer (across all retailers).

**Table 3** Gas price increases by area July 2013 – July 2014<sup>15</sup>

<b>Area</b>	<b>Increase to annual bill since July 2013</b>	<b>Percentage increase</b>
<b>Sydney, Newcastle, Wollongong, Blue Mountains (AGL)</b>	\$160	17%
<b>Cooma and Bombala (Origin)</b>	\$160	21%
<b>Temora, Holbrook, Henty, Culcairn and Walla (Origin)</b>	\$175	22%
<b>Tumut and Gundagai (Origin)</b>	\$170	20%
<b>Wagga Wagga and Uranquity (Origin)</b>	\$140	18%
<b>Tamworth (Origin)</b>	\$210	20%
<b>Boroowa, Goulburn, Yass and Young (ActewAGL)</b>	\$180	20%
<b>Queanbeyan and Bundgondore (ActewAGL)</b>	\$135	17%
<b>Shoalhaven (ActewAGL)</b>	\$120	16%
<b>Albury, Moama and Jindera (Origin)</b>	\$105	19%
<b>Murray Valley Towns (Origin)</b>	\$145	19%

<sup>15</sup> Based on the regulated gas rates for customers using 24,000Mj per annum.

## 2. Market offers July 2014

### 2.1 Electricity market offers July 2014<sup>16</sup>

- Typical consumption households (7,200kWh) can save \$560 - \$710 per annum (depending on their network area) if switching from the worst standing offer to the best market offer.<sup>17</sup>
- The greatest potential saving is in Essential's network area (approximately \$710).<sup>18</sup>
- The difference between the best and the worst market offer ranges from \$340 per annum (in Essential's area) to \$455 (in Essential's area) for customers with typical consumption levels.<sup>19</sup>
- Customer switching from the 'transitional offer' to the best market offer can save up to \$345 per annum in Ausgrid's area, \$390 in Endeavour and \$460 in Essential's network area.<sup>20</sup>

The discounts (including pay on time discounts) used to estimate annual bills for the charts presented in this section 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. Some of the retailers have multiple market offers and may offer different discounts or features than those listed here. However, if the discount is higher the length of the contract term is generally longer, and vice versa.

---

<sup>16</sup> The market offers were collected in the second week of July 2014 and it should be noted that retailers may change their rates at any time.

<sup>17</sup> 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).

<sup>18</sup> Ibid.

<sup>19</sup> Households using 7,200kWh per annum (single rate) and all market offer bills include additional discounts and/or pay on time discounts.

<sup>20</sup> Based on the 'transitional offer' (7,200kWh, single rate) and the best of the published market offers (*including* additional discounts and/or pay on time discounts).

**Table 4** Published electricity market offers post July 2014: Key additional features and contract conditions

	Discounts	Fixed term	Early Termination Fee	Late Payment Fee	Pay on time discounts	Other
AGL <sup>^</sup>	2% off usage	2 years	Up to \$75	\$12.75	6% off usage	Yes
Origin <sup>^^</sup>	No	1 year	No	\$12	10% off usage	Yes
Click <sup>^^^</sup>	No	No	No	\$12	15% off bill	No
Simply+	No	2 years	Up to \$104.50	No	12 or 14% off usage	No
Energy Australia	3% off usage	3 years	Up to \$90	No	9% off usage	No
Dodo	No	1 year	No	No	15% off usage	No
Momentum <sup>++</sup>	No	1 or 3 years	\$75 or \$99	No	No	No
QEnergy <sup>*</sup>	No	1 year	\$82.50	\$15	No	No
Powerdirect <sup>**</sup>	7% off usage	3 years	Up to \$48	\$12.75	No	Yes
Red	No	2 years	Up to \$95	No	10% off bill	Yes
Lumo	No	2 years	Up to \$75	No	5% off bill	Yes

<sup>^</sup>AGL's offer includes a further 2% off consumption rates if bills are paid by direct debit.

<sup>^^</sup>Origin's offer includes a further 1% off consumption rates if bills are paid by direct debit.

<sup>^^^</sup>Click's pay on time discount requires online billing. Click also offers a sign up rebate.

+Simply offers a 12% pay on time discount in Essential's area and a 14% discount in Endeavour. It does not have an electricity offer in the Ausgrid area.

++Momentum's contract terms and early termination fees vary between network areas.

\*QEnergy's offer is not available to customers in Essential Energy network.

\*\* Powerdirect's discount on usage does not include controlled off-peak.

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

### 2.1.1 Potential savings - Differences between electricity offers

Typical consumption households (7,200kWh per annum) on the worst standing offer can save \$560 - \$710 per annum if switching to the best published market offer (depending on their network area).<sup>21</sup> 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

<sup>21</sup> Based on market offer bills that include discounts and pay on time discounts.

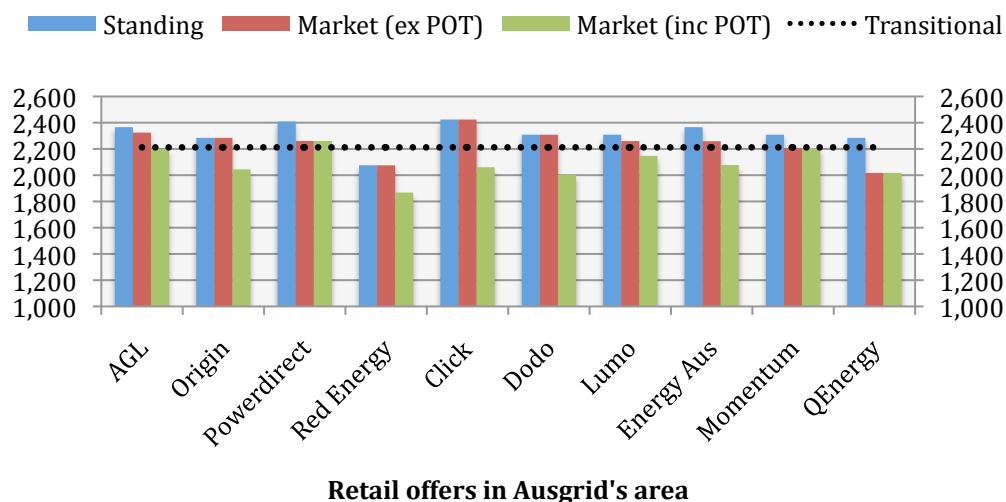
large as these. Furthermore, we stress that the majority of these discounts are conditional on bills being paid on time and households with cash-flow issues thus may find themselves unable to achieve the annual bills estimated for some of the best offers included in the charts below.

Charts 13-15 below show annual retail bills for typical consumption (7,200kWh per annum, single rate) for each of the three network areas. 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.<sup>22</sup> The dotted lines show the 'transitional offer' in each network area.

**Ausgrid**

In Ausgrid's area, average consumption households on the worst standing offer can save approximately \$560 per annum if switching to the best published market offer. Red Energy is the retailer that currently offers the best market offer rates in this area. Customers currently on the 'transitional offer' may save \$345 per annum if switching to the best market offer.

**Chart 13** Ausgrid's network area: Estimated annual bills (incl GST) for electricity transitional, standing and market offers post July 2014, including discounts and pay on time discounts - Households consuming 7,200kWh per annum (single rate)













The difference between the best and the worst market offer is also significant. Red Energy's offer is approximately \$395 less than Powerdirect's market offer post discounts (and pay on time discounts) for households with this consumption level.

<sup>22</sup> These market offers were found on the AER's "Energy Made Easy" website or on the retailers' own websites during the second week of July 2014. Discounts (excluding GST) have been applied to consumption and/or total bill as per offers listed in table 4.

Figure 1 below shows estimated annual bills for market offers post discounts in Ausgrid’s network area.

**Figure 1** Ausgrid’s network area: Lowest to highest annual bills (incl GST) for market offers post July 2014, including discounts and pay on time discounts - Households consuming 7,200kWh per annum (single rate) <sup>23</sup>

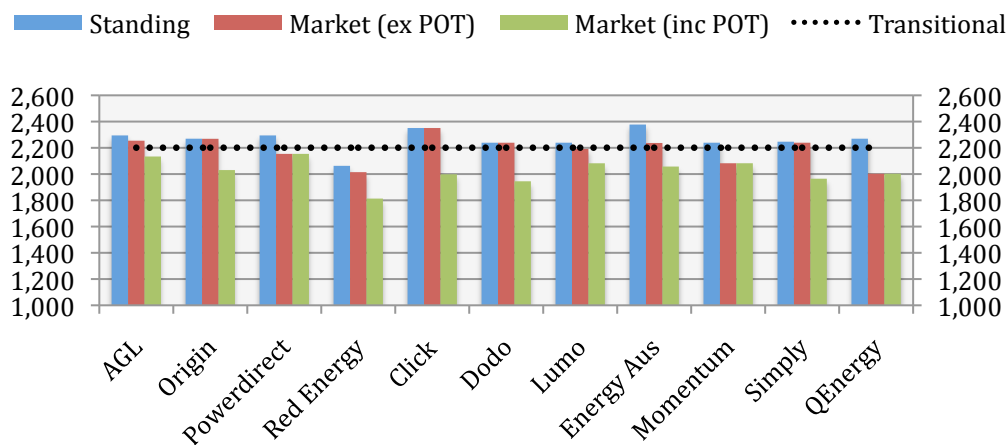
	Red Energy	\$1,868
	Dodo	\$2,005
	QEnergy	\$2,017
	Origin Energy	\$2,045
	Click Energy	\$2,060
	Energy Australia	\$2,077
	Lumo Energy	\$2,147
	AGL	\$2,200
	Momentum	\$2,207
	Powerdirect	\$2,261

<sup>23</sup> These bill estimates are based on rates published on the retailers’ websites or on the AER’s “Energy Made Easy” website during the second week of July 2014 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.

## Endeavour

In Endeavour's network area, average consumption households on the worst standing offer can save approximately \$565 per annum if switching to the best published market offer. Red Energy is again the retailer with the best market offer rates. Customers currently on the 'transitional offer' may save \$390 per annum if switching to the best market offer.

**Chart 14** Endeavour's network area: Estimated annual bills (incl GST) for electricity transitional, standing and market offers post July 2014, including discounts and pay on time discounts - Households consuming 7,200kWh per annum (single rate)







**Retail offers in Endeavour's area**

The difference between the best and the worst market offer is similar to that of Ausgrid's network area. Red Energy's offer is approximately \$340 less than Powerdirect's market offer post discounts (and pay on time discounts) for households with this consumption level. Figure 2 below shows estimated annual bills for market offers post discounts in Endeavour's network area.



**Figure 2** Endeavour’s network area: Lowest to highest annual bills (incl GST) for market offers post July 2014, including discounts and pay on time discounts - Households consuming 7,200kWh per annum (single rate) <sup>24</sup>

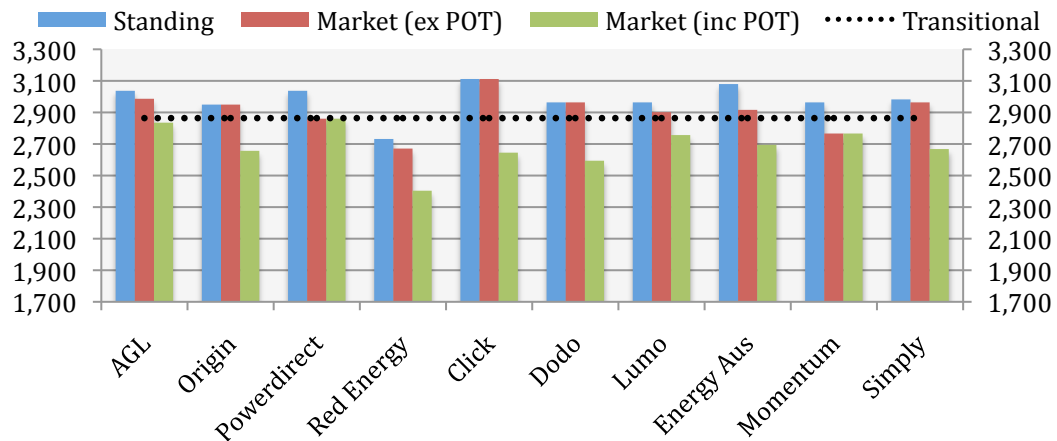
	Red Energy	\$1,813
	Dodo	\$1,945
	Simply Energy	\$1,965
	Click Energy	\$1,998
	QEnergy	\$2,003
	Origin Energy	\$2,030
	Energy Australia	\$2,057
	Lumo Energy	\$2,082
	Momentum	\$2,082
	AGL	\$2,134
	Powerdirect	\$2,154

<sup>24</sup> These bill estimates are based on rates published on the retailers’ websites or on the AER’s “Energy Made Easy” website during the second week of July 2014 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.

**Essential**

In Essential’s network area, average consumption households on the worst standing offer can save approximately \$710 per annum if switching to the best published market offer. Red Energy is the retailer with the best market offer rates in this network area. Customers currently on the ‘transitional offer’ may save \$460 per annum if switching to the best market offer.











**Chart 15** Essential’s network area: Estimated annual bills (incl GST) for electricity transitional, standing and market offers post July 2014, including discounts and pay on time discounts - Households consuming 7,200kWh per annum (single rate)



**Retail offers in Essential's area**

As in other network areas, the difference between the best and the worst market offer is significant. Red Energy’s offer is approximately \$455 less per annum than Powerdirect’s market offer post discounts (and pay on time discounts) for households with this consumption level. Figure 3 below shows estimated annual bills for market offers post discounts in Essential’s network area

**Figure 3** Essential’s network area: Lowest to highest annual bills (incl GST) for market offers post July 2014, including discounts and pay on time discounts - Households consuming 7,200kWh per annum (single rate) <sup>25</sup>

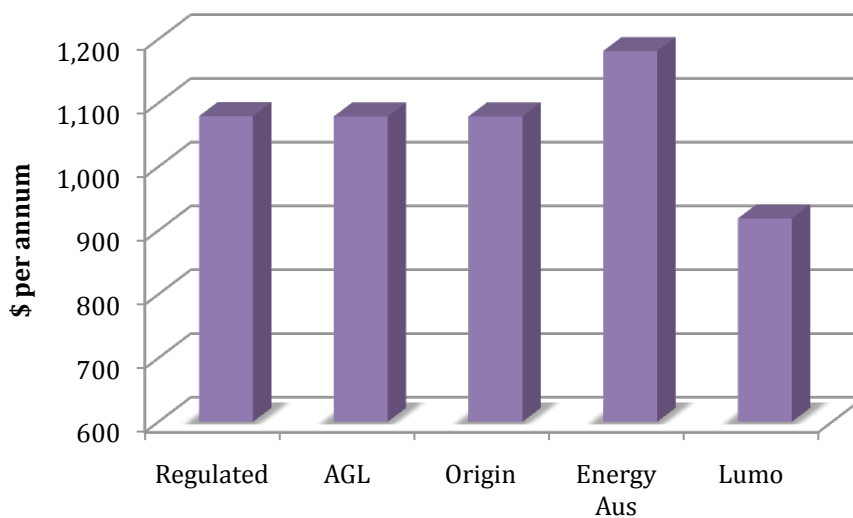
	Red Energy	\$2,404
	Dodo	\$2,594
	Click Energy	\$2,645
	Origin Energy	\$2,657
	Simply Energy	\$2,668
	Energy Australia	\$2,695
	Lumo Energy	\$2,757
	Momentum	\$2,766
	AGL	\$2,835
	Powerdirect	\$2,860

<sup>25</sup> These bill estimates are based on rates published on the retailers’ websites or on the AER’s “Energy Made Easy” website during the second week of July 2014 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.

## 2.2 Gas market offers July 2014

There are relatively few gas market offers available in NSW and the Sydney area (Jemena/AGL gas zone) is the only area that has more than two offers (most non-metropolitan areas only have the regulated offer). As such, this analysis only comprises regulated vs. market offers in the greater Sydney area. Chart 16 below shows that three retailers (AGL, Origin and Energy Australia) have rates that are the same, or above, the regulated rates (prior to additional discounts). One retailer, Lumo, has market offer rates that are below the regulated rates.<sup>26</sup> Lumo, however, only offers gas in conjunction with electricity (a dual fuel product).

**Chart 16** Gas offers in Jemena/AGL zone as annual bills (excluding discounts), July 2014 (24,000Mj per annum, inc GST)



The calculations for the market offers in chart 16 include 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. As such, consumers assessing market offers should take these additional features into account as well as being aware of contract conditions such as late payment fees, the length of the contract and fees for exiting the contract early.

<sup>26</sup> These market offers were found on the AER's "Energy Made Easy" website or on the retailers' own websites during the second week of July 2014.

**Table 5** Published gas market offers in Jemena/AGL gas zone as of July 2014: Key additional features and contract conditions

	Discounts	Fixed term	Early Termination Fee	Late Payment Fee	Pay on time discounts	Other
AGL <sup>^</sup>	2% off usage	2 years	Up to \$75	\$11.95	4% off usage	Yes
Origin <sup>^^</sup>	No	1 year	No	\$12	4% off usage	Yes
Energy Australia	3% off usage	3 years	Up to \$90	No	7% off usage	No
Lumo <sup>*</sup>	No	2 years	Up to \$75	No	5% off bill	Yes

<sup>^</sup>AGL's offer includes a further 2% off consumption rates if bills are paid by direct debit.

<sup>^^</sup> Origin's offer includes a further 1% off consumption rates if bills are paid by direct debit.

\*Lumo only offers gas as a dual fuel product (in conjunction with an electricity offer).

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

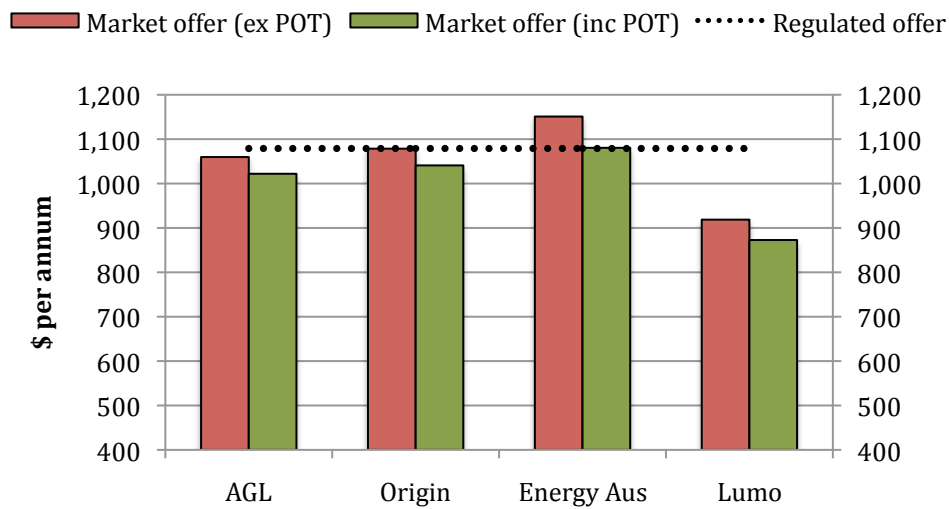
### 2.1.1 Potential savings - Differences between gas offers

Chart 17 below shows annual retail bills for market offers compared to the regulated offer for typical consumption households (24,000kJ per annum) in the Jemena/AGL gas zone. 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.<sup>27</sup> The dotted line represents the regulated rates that took effect on 1 July 2014.

Customers switching from the regulated offer to Lumo's market offer can potentially save \$205 on their annual gas bill (including discounts and pay on time discounts). However, as this offer is only available in conjunction with electricity, potential customers should carefully examine Lumo's electricity offer. Among the three retailers that offer gas as a stand-alone product, customers may save between \$40 and \$60 per annum by switching to Origin or AGL's market offers. Customers with this consumption level that switch to Energy Australia, however, will pay just as much as they did on the regulated offer, even after the pay on time discount has is applied.




<sup>27</sup> These market offers were collected from the AER's "Energy Made Easy" website or on the retailers' own websites during the second week of July 2014. Discounts (excluding GST) have been applied to consumption and/or total bill as per offers listed in table 5.

**Chart 17** Gas offers in Jemena/AGL area: Estimated annual bill for market offers (guaranteed discount only and all discounts) compared to the regulated rates (based on 24,000Mj, inc GST)



Compared to electricity offers, the difference between the best and the worst stand-alone gas market offers is very small. AGL’s offer is approximately \$60 less per annum than Energy Australia’s market offer post discounts (and pay on time discounts) for households with this consumption level. Figure 4 below shows estimated annual bills for gas market offers post discounts in the Jemena/AGL gas zone.

**Figure 4** Jemena/AGL gas zone: Lowest to highest annual bills (incl GST) for stand-alone gas market offers post July 2014, including discounts and pay on time discounts - Households consuming 24,000Mj per annum<sup>28</sup>

 AGL	\$1,022
 Origin Energy	\$1,041
 Energy Australia	\$1,080

<sup>28</sup> These bill estimates are based on rates published on the retailers’ websites or on the AER’s “Energy Made Easy” website during the second week of July 2014 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. Network charges and the bill-stack

The NSW electricity networks introduce new Network Use of System (NUOS) charges as of 1 July every year. These NUOS charges 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.

The charts presented in this section show that while the NUOS charges for average consumption households increased significantly from 2009 to 2011 they have flattened out (in Endeavour Energy's area) or decreased (Ausgrid and Essential) since then. As such, network charges as proportion of total bill have also flattened out or decreased in recent years. The NUOS proportion is currently 48% in Ausgrid, 49% in Essential and 41% in Endeavour.<sup>29</sup> See chart 19 below.

Over the same time period average energy prices (and demand) have consistently fallen and thus resulted in a decreasing energy value. The Energy Supply Association Australia (ESAA) states that:

“In the 2008-09 financial year energy value was recorded as \$10.2 billion, meaning that revenues are over 40 per cent down in three years.”<sup>30</sup>

It must be noted that the spot price revenue is only an indicator of total generation revenue as the majority of the electricity sold is contracted in advance. However, the spot price will impact on the price retailers negotiate for new contracts and you would thus expect to see a falling wholesale cost component of the total bill stack over this 5 year period. Furthermore, as the falling energy value mentioned above is NEM wide, we have sought to assess NSW specific indicators of falling electricity generation costs. Interestingly, the reserve plant margin, which is the amount of excess generation available within a given region, increased significantly in NSW

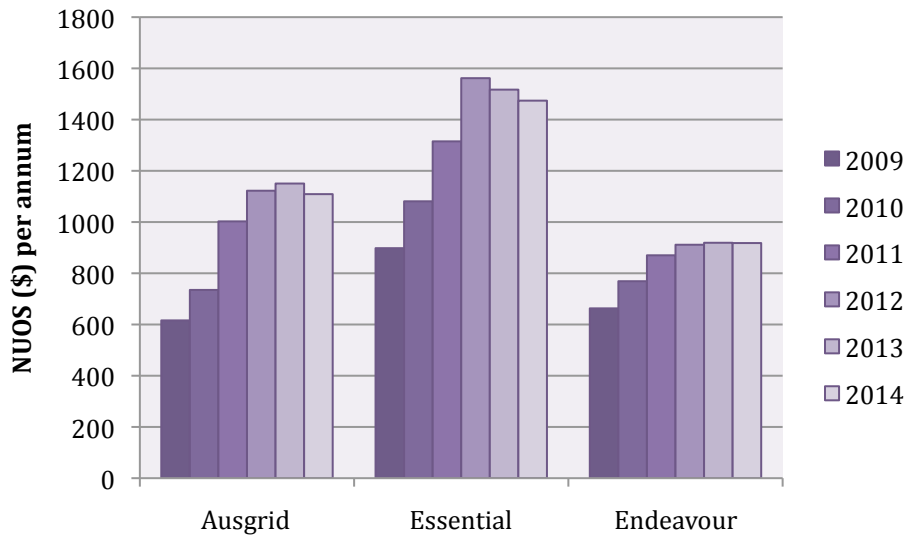
---

<sup>29</sup> Note: The Australian Energy Market Commission estimated that network costs would account for has reported that network costs account for 59% of customers' bills in 2014/15 based on the network costs accounting for 16.86 cents out of a total of 28.66 cents/kWh. See AEMC, 2013 Residential Electricity Price Trends, Final Report, 13 December 2013, p 57. To account for the daily supply charge, the AEMC's analysis multiplied the daily supply charge by 365 days and divided by annual consumption (kWh). The variable charge (cents/kWh) was also multiplied by 365 days and divided by annual consumption (kWh) and the sum of these two values represent the final average unit price (c/kWh). See AEMC report, p 3, fn 19. AEMC also assumes an annual consumption of 6,500kWh per annum for NSW. See AEMC report, p 4. Our methodology differs from the AEMC's. We calculate NUOS costs (excluding GST) and retail costs (including GST) as annual bills based on cents per kWh (including any step changes) and cents per day for the supply charge. If we exclude the GST from the July 2014 bill calculation, the NUOS proportions are 53%, 54% and 45% (instead of 48%, 49% and 41% in Ausgrid, Essential and Endeavour respectively).

<sup>30</sup> ESAA, Electricity Gas Australia (EGA) 2013, p 36

from 2010/11 to 2011/12. In 2010/11 the reserve plant margin was just over 9% in NSW but the following year this had increased to 25%.<sup>31</sup>

**Chart 18** NUOS charges as annual cost to residential consumers from 2009 to 2014, all networks (based on single rate, 7,200kWh per annum, GST exclusive)<sup>32</sup>

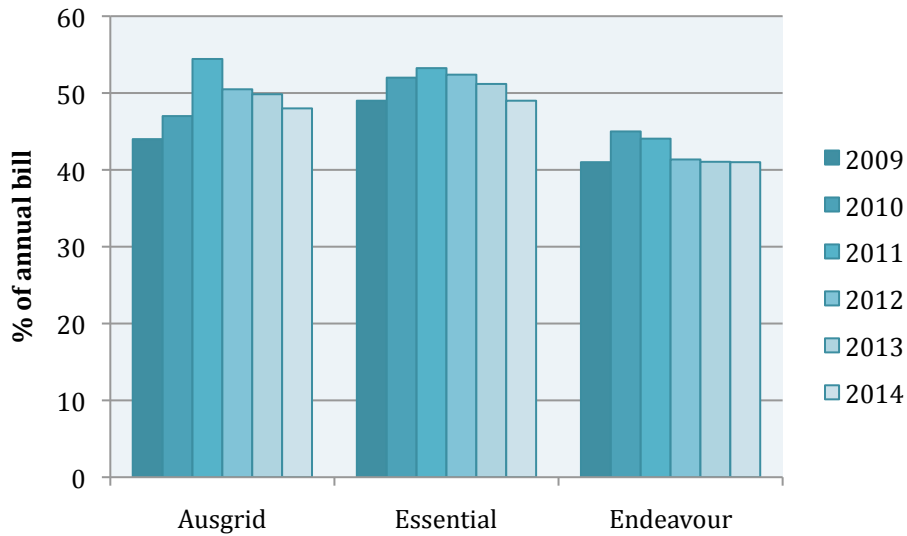


<sup>31</sup> ESAA, Electricity Gas Australia (EGA) 2013, Table 2.9, p 26

<sup>32</sup> The annual NUOS charges have been calculated by allocating 1,800kWh per quarter (again based on annual consumption of 7,200kWh) to the step charges stipulated in the NUOS (excluding GST). The annual NUOS cost also includes fixed charges.



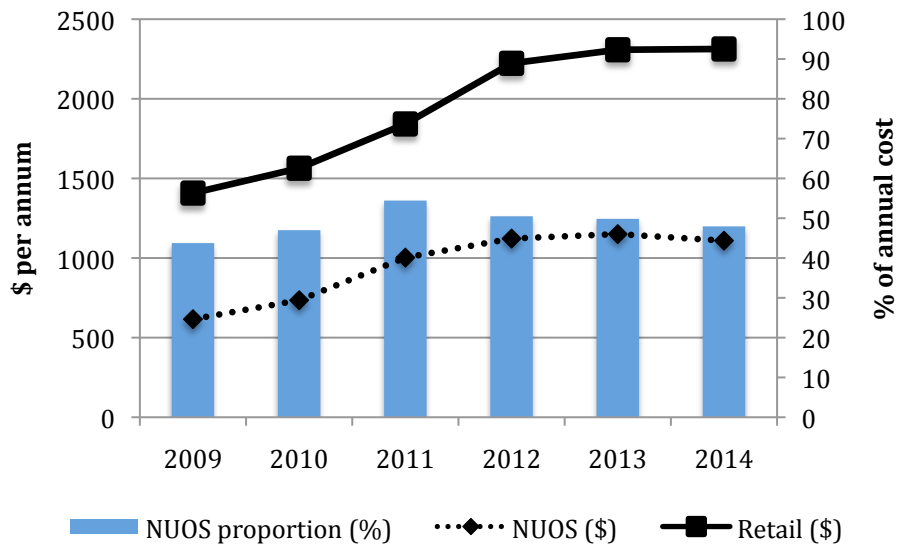
**Chart 19** NUOS charges as proportion of annual bill from 2009 to 2014, all networks. Based on regulated offer (2009-2013) and average single rate standing offer (2014), 7,200kWh per annum, incl. GST<sup>33</sup>



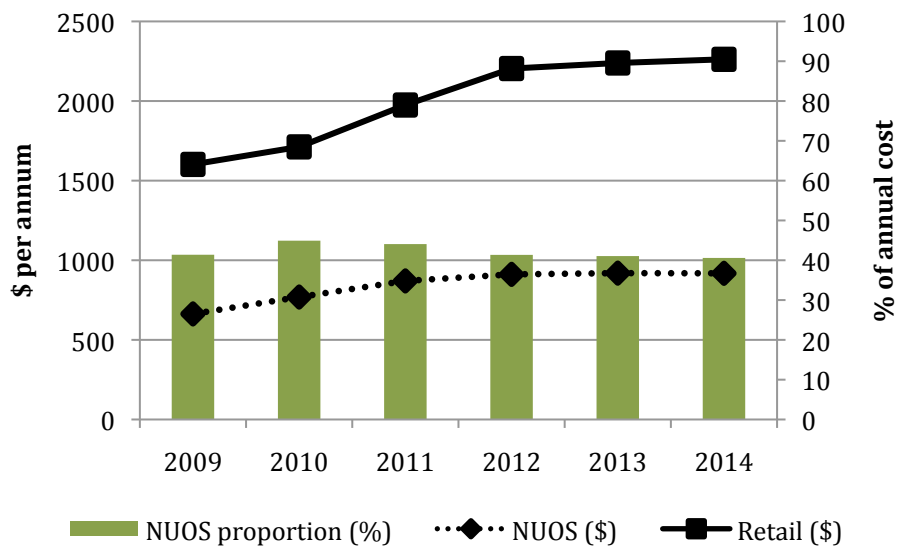
Charts 20-22 below show annual retail bills (solid line), NUOS charges as annual cost (dotted line) and as proportion of annual bill (columns) for each of the network areas. The methodology used for these calculations is the same as for charts 17-18 above.

<sup>33</sup> The NUOS proportion of total bill has been calculated using annual NUOS cost calculations (see footnote above) and the retailers' regulated/standing offers as of July every year (from 2009 to 2014), presented as annual bills for households using 7,200kWh per annum (single rate, incl. GST) across the three distribution areas.

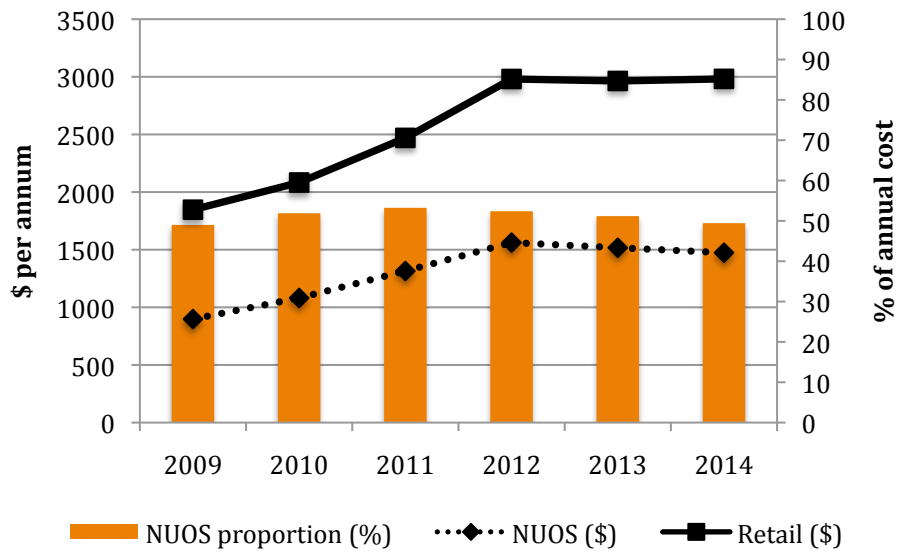
**Chart 20** Ausgrid: Retail bill per annum, NUOS charges and NUOS as proportion of total bill Based on regulated offer (2009-2013) and average single rate standing offer (2014), 7,200kWh per annum, incl GST.



**Chart 21** Endeavour Energy: Retail bill per annum, NUOS charges and NUOS as proportion of total bill Based on regulated offer (2009-2013) and average single rate standing offer (2014), 7,200kWh per annum, incl. GST



**Chart 22** Essential Energy: Retail bill per annum, NUOS charges and NUOS as proportion of total bill Based on regulated offer (2009-2013) and average single rate standing offer (2014), 7,200kWh per annum, incl. GST



#### 4. Total cost of energy by area

The analysis presented in this report shows that while the electricity price increases have been moderate this year some areas have experienced higher price increases than others. In relation to electricity, households in Endeavour's network area have seen the greatest electricity price increases.<sup>34</sup> Gas prices, on the other hand, have increased significantly and the greatest increase (22%) has occurred in the Origin zone that incorporates towns such as Temora, Holbrook, Henty, Culcairn and Walla Walla. As approximately 40% of NSW households are connected to both electricity and gas, it is important to analyse whether there are areas that have experienced high increases in both electricity and gas prices, and conversely, whether there are areas where the increases in electricity and gas prices are at the lower end.<sup>35</sup> Such analysis allows for a more detailed understanding of the total energy costs faced by households across NSW.

#### 4.1 Inner Sydney, Northern Sydney, Swansea, Newcastle, Maitland, Cessnock Singleton and Upper Hunter



Source: [www.ausgrid.com.au](http://www.ausgrid.com.au)

In this area, the average electricity standing offer has increased by a very moderate \$5 per annum for average consumption households (7,200kWh) since July 2013.

<sup>34</sup> To calculate electricity price increases we have compared the average standing offer (across all retailers) as of July 2014 to last year's regulated rates.

<sup>35</sup> According to IPART, approximately 40% of all NSW households use gas and in the Sydney metropolitan area approximately 50% of households use gas. IPART, *Review of regulated retail prices and charges for gas*, Final report, June 2014, p 52

Households in the Jemena/AGL gas zone have experienced an increase in gas prices of approximately \$160 over the same period.

- Dual fuel households with an average consumption of electricity and gas in inner and Eastern Sydney, Sydney's North, Swansea and Newcastle have typically experienced an increase in *energy* costs of \$165 since July 2013.<sup>36</sup>
- All-electric households in Sydney, Newcastle, Maitland, Singleton, Muswellbrook and the Upper Hunter have typically experienced an increase in *electricity* costs of \$20 since July 2013.<sup>37</sup>

#### 4.2 Western Sydney, Wollongong, Blue Mountains, Lithgow, Kandos, Moss Vale, Nowra, Ulladulla



Source: [www.endeavourenergy.com.au](http://www.endeavourenergy.com.au)

<sup>36</sup> These are households in Ausgrid's electricity distribution network and Jemena/AGL's gas zone.

<sup>37</sup> These are households on a two-rate (controlled load) tariff in Ausgrid's electricity distribution network.

In this area, the average electricity standing offer has increased by \$25 for average consumption households (7,200kWh) since July 2013. Households in the Jemena/AGL gas zone have experienced an increase in gas prices of approximately \$160 over the same period.<sup>38</sup>

- Dual fuel households with an average consumption of electricity and gas in Western Sydney, Wollongong, Blue Mountains and Lithgow have typically experienced an increase in *energy* costs of \$185 since July 2013.<sup>39</sup>
- Dual fuel households in Nowra/Shoalhaven have typically experienced an increase in *energy* costs of \$145 since July 2013.<sup>40</sup>
- All-electric households in Western Sydney, Wollongong, Blue Mountains, Lithgow, Kandos, Moss Vale, Nowra and Ulladulla have typically experienced an increase in *electricity* costs of \$45 since July 2013.<sup>41</sup>

### 4.3 Rural and Regional NSW



Source: Country Energy, Annual Report 2009-10

<sup>38</sup> These are households in Endeavour's electricity distribution network and Jemena/AGL's gas zone.

<sup>39</sup> These are households in Endeavour Energy's electricity distribution network and Jemena/AGL's gas zone.

<sup>40</sup> These are households in Endeavour Energy's electricity distribution network and ActewAGL's Shoalhaven gas zone.

<sup>41</sup> These are households on a two-rate (controlled load) tariff in Endeavour Energy's electricity distribution network.

In rural and regional NSW, the average electricity standing offer has increased by \$20 for typical consumption households (7,200kWh) since July 2013. For all-electric households (8,000kWh, 30% controlled off peak) the average electricity standing offer has also increased by \$20 since July 2013.

- Dual fuel households with an average consumption of electricity and gas in Bathurst, Orange, Dubbo and Parkes have typically experienced an increase in *energy* costs of \$180 since July 2013.<sup>42</sup>
- Dual fuel households in Goulburn, Boorowa, Yass and Young have typically experienced an increase in *energy* costs of \$200 since July 2013.<sup>43</sup>
- Dual fuel households in Queanbeyan and Bungendore have typically experienced a *decrease* in *energy* costs of \$155 since July 2013.<sup>44</sup>
- Dual fuel households in Temora, Tumut, Holbrook, Henty, Cualcain, Walla Walla, Cooma and Bombala have typically experienced an increase in *energy* costs of \$195 since July 2013.<sup>45</sup>
- Dual fuel households in Cooma and Bombala have typically experienced an increase in *energy* costs of \$180 since July 2013.<sup>46</sup>
- Dual fuel households in Wagga Wagga and Uranquity have typically experienced an increase in *energy* costs of \$160 since July 2013.<sup>47</sup>
- Dual fuel households in Tamworth have typically experienced an increase in *energy* costs of \$230 since July 2013.<sup>48</sup>
- Dual fuel households in Albury, Jindera and Moama have typically experienced an increase in *energy* costs of \$125 since July 2013.<sup>49</sup>

---

<sup>42</sup> These are households in Essential Energy's electricity distribution network and Jemena/AGL's gas zone.

<sup>43</sup> These are households in Essential Energy's electricity distribution network and ActewAGL's Goulburn gas zone.

<sup>44</sup> These are households in Endeavour Energy's electricity distribution network and ActewAGL's Queanbeyan gas zone.

<sup>45</sup> These are households in Essential Energy's electricity distribution network and Origin Energy's Temora gas zone.

<sup>46</sup> These are households in Essential Energy's electricity distribution network and Origin Energy's Cooma gas zone.

<sup>47</sup> These are households in Essential Energy's electricity distribution network and Origin Energy's Wagga Wagga gas zone.

<sup>48</sup> These are households in Essential Energy's electricity distribution network and Origin's Tamworth gas zone.

<sup>49</sup> These are households in Essential Energy's electricity network and Origin's Albury gas zone.

- Dual fuel households in the Murray Valley towns have typically experienced an increase in *energy* costs of \$165 since July 2013.<sup>50</sup>
- All-electric households in Griffith, Bourke, Walgett, Narrabri, Moree, Glen Innes, Armidale, Taree, Coffs Harbour, Grafton and Lismore have typically experienced an increase in *electricity* costs of \$20 since July 2013.<sup>51</sup>

---

<sup>50</sup> These are households in Essential Energy's electricity network and Origin's Murray Valley gas zone.

<sup>51</sup> These are households on a two-rate (controlled load) tariff in Essential Energy's electricity distribution network.