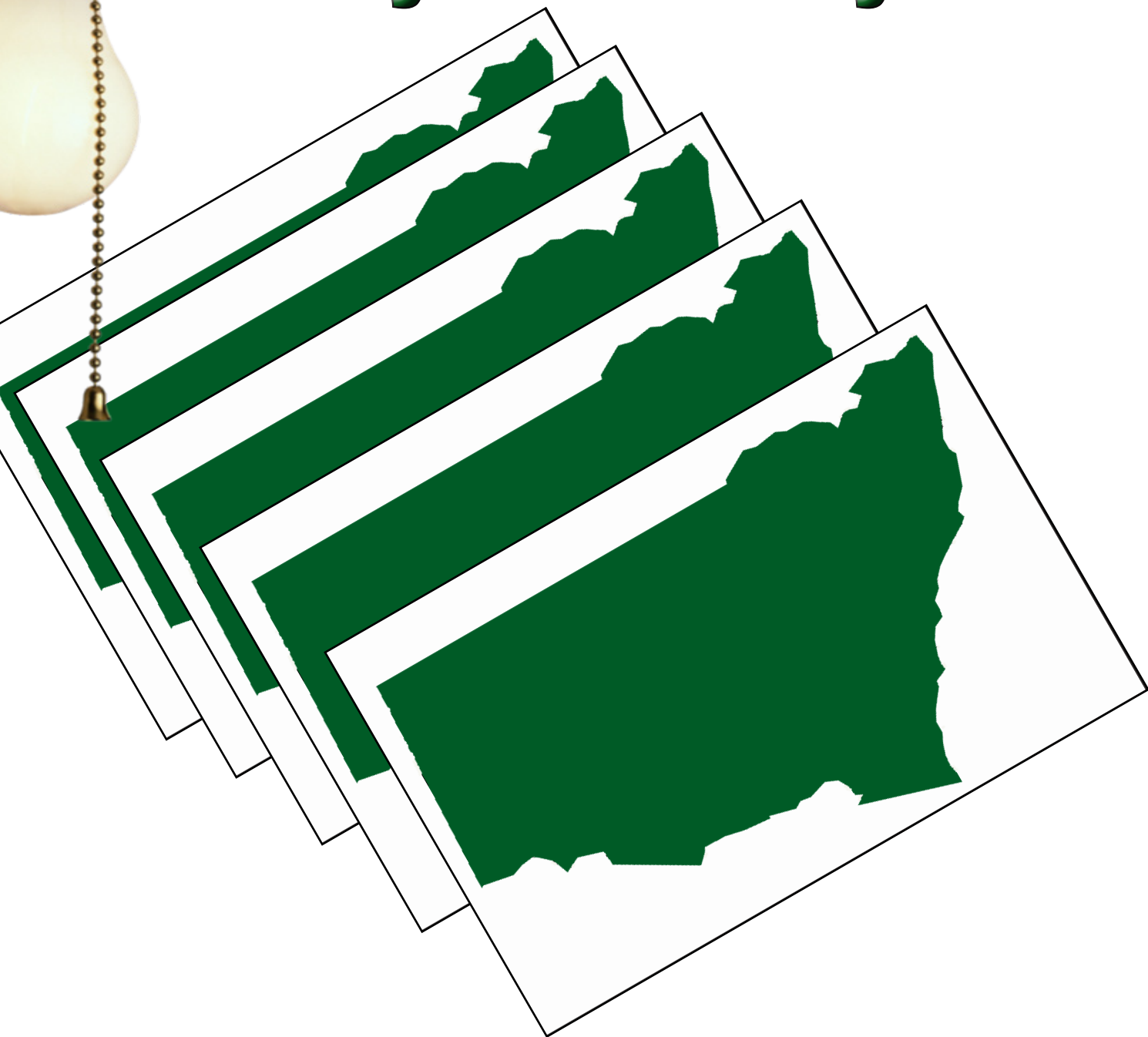




NSW Energy Prices July 2011 - July 2012



**May Mauseth Johnston
August 2012**



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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 IPART's "My Energy Offers" website or contact the energy retailers directly.

New South Wales Energy Prices July 2011 – July 2012
An Update report on the NSW Tariff-Tracking Project
by May Mauseth Johnston

May Mauseth Johnston, August 2012
Alviss Consulting Pty Ltd
ABN 43147408624

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

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The NSW Tariff-Tracking Project: purpose and outputs

There is limited knowledge and understanding in the community of the various energy tariffs available, how they are changing, and how tariff changes impact on households' energy bills and energy affordability more broadly.

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. As the Australian Energy Market Commission (AEMC) has been tasked to evaluate the effectiveness of competition in NSW in 2012, the NSW Tariff-Tracking tool is well timed for two reasons: Firstly, consumer representatives can utilise the tool to inform the effectiveness of competition review in itself. Secondly, if the AEMC finds competition to be effective and recommends the removal of retail price regulation, the tool will allow for 'before and after' comparisons.

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

This project has tracked electricity and gas tariffs in NSW from July 2009 to July 2012, and developed a spreadsheet-based tool that allows consumer advocates to build on the initial analysis and continue to track changes as they occur.¹ The first report for the NSW Tariff-Tracking project was published in August 2011 and this up-date 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 NSW gas and electricity offers. The four workbooks available at www.vinnies.org.au/energy are:

Workbook 1: Regulated electricity offers July 2008-July 2012²

Workbook 2: Regulated gas offers July 2009-July 2012

Workbook 3: Electricity market offers July 2011 and 2012

Workbook 4: Gas market offers July 2011 and 2012

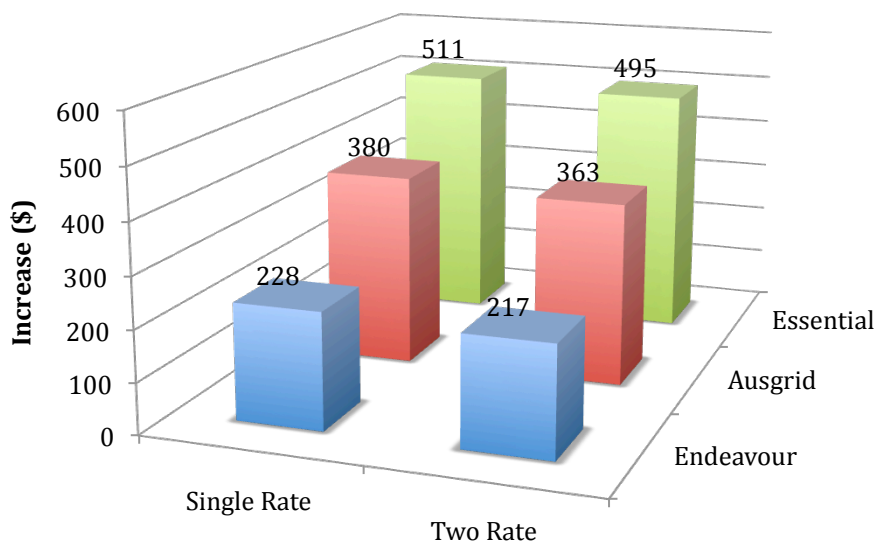
¹ The regulated electricity offers workbook also contains the 2008 rates.

² All market offers are published offers and do not include special offers that retailers market through door-knocking campaigns or brokers. We use the IPART website as well as the retailers own website to collect market offer for the Tariff-Tracking tool. If the retailer has more than one market offer we use the one IPART has estimated to produce the lowest annual bill. 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.

1. Energy price changes from July 2011 to July 2012³

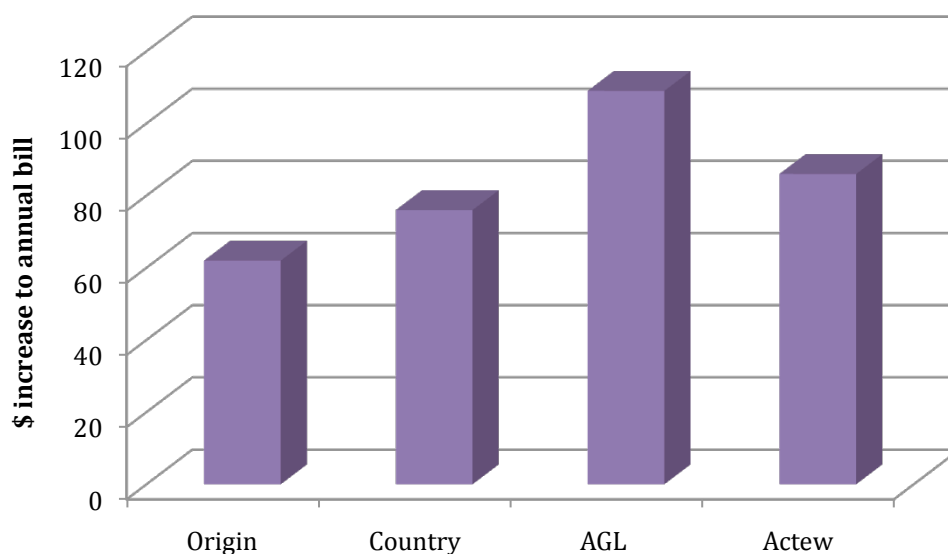
- Households' annual electricity costs have typically increased by between \$200-\$500 since July 2011 but there are significant differences between the network areas. See chart 1 below.
- Annual energy bills (electricity and gas) for dual fuel Sydney households with average consumption have increased by more than \$480 since July 2011. See chart 1 and 2 below.
- Annual electricity bills for all-electric Sydney households with average consumption have increased by around \$360 since July 2011.
- Households in Sydney (Jemena/AGL gas zone) and Goulburn, Boroowa, Yass and Young (ActewAGL gas zone) are facing the greatest gas price increases. The annual gas bill for average consumption households in these areas has increased by approximately \$110.
- None of the electricity and gas market offers contain published rates (prior to discounts) below the regulated offers. Two retailers have published electricity and gas market offer rates above the regulated offers (prior to discounts).

Chart 1 Increases (\$) to the annual cost of electricity from July 2011-2012 (based on 7,200kWh per annum for single rate and 8,000kwh for two rate, thereof 30% controlled off-peak 1 load)



³ These calculations are based on increases to the regulated offer for single rate electricity customers using 7,200kWh per annum, increases to the regulated 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 Increases to the annual cost of gas from July 2011 to July 2012 for households using 24,000Mj per annum⁴



There are four supply areas for regulated gas offers in NSW. The four standard retailers are AGL, Country Energy, ActewAGL and Origin Energy. Country Energy has six pricing zones, ActewAGL has three and Origin has two.

Table 1 Gas supply areas in NSW

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

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

⁴ Based on increases to the regulated offer for gas customers using 24,000Mj per annum. For Essential, Origin and ActewAGL, the increases are based on the average increases of regulated offers in those gas areas.

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 distribution areas. The charts below have assumed an average annual consumption of 24,000Mj per annum.

Chart 3 Estimated annual bills for regulated gas offers in Jemena/AGL’s area, July 2011 and July 2012 (24,000Mj per annum, inc GST)

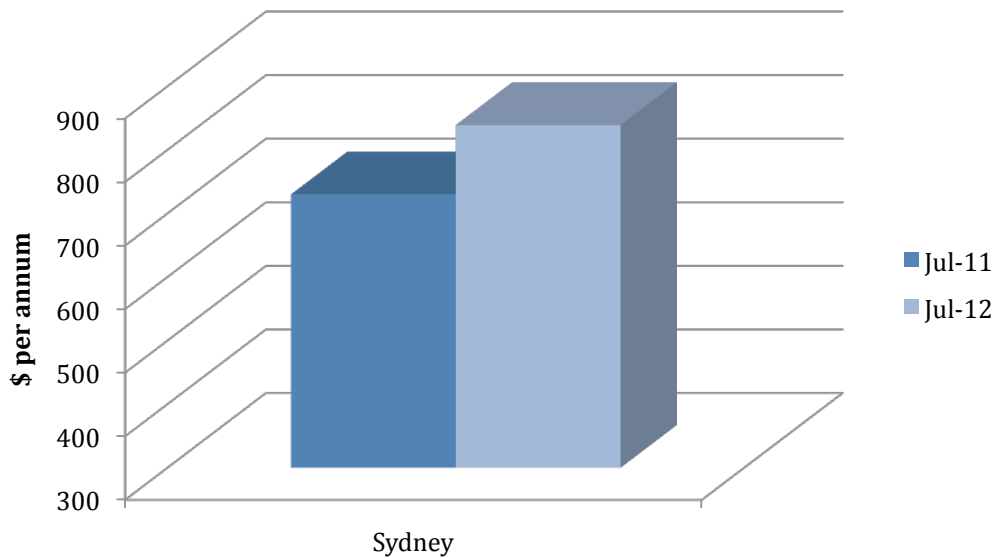
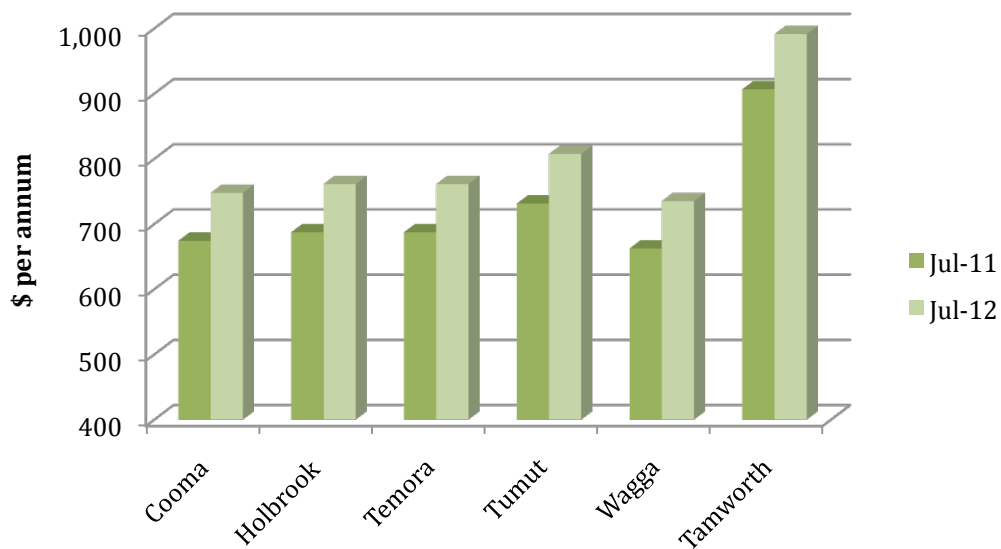


Chart 4 Estimated annual bills for regulated gas offers in Country Energy’s area, July 2011 and July 2012 (24,000Mj per annum, inc GST)⁵



⁵ Note: The Cooma zone includes Bombala. The Holbrook zone includes Henty, Culcairn and Walla Walla. The Tumut zone includes Gundagai. The Wagga Wagga zone includes Uranquity.

Chart 5 Estimated annual bills for regulated gas offers in ActewAGL's area, July 2011 and July 2012 (24,000Mj per annum, inc GST)⁶

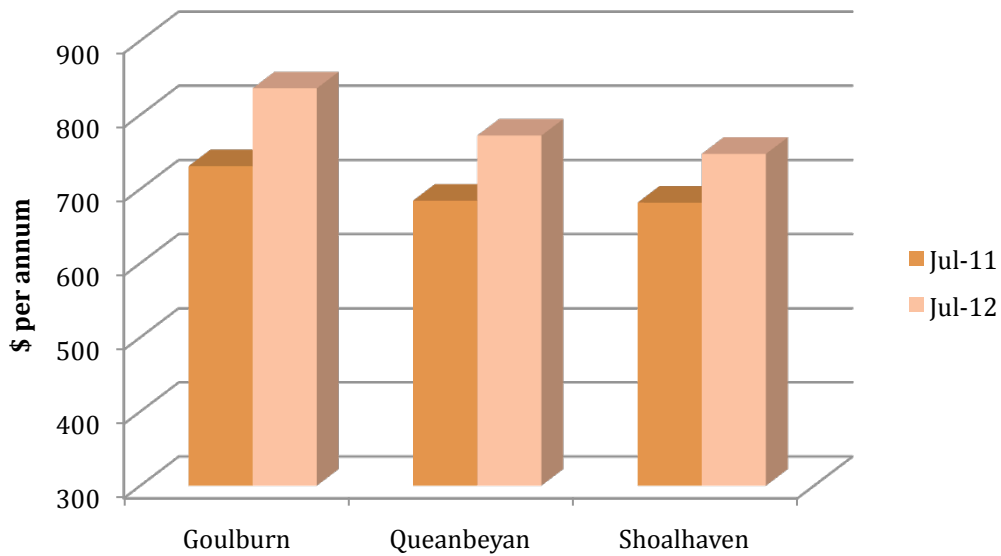


Chart 6 Estimated annual bills for regulated gas offers in Origin's area, July 2011 and July 2012 (24,000Mj per annum, inc GST)⁷

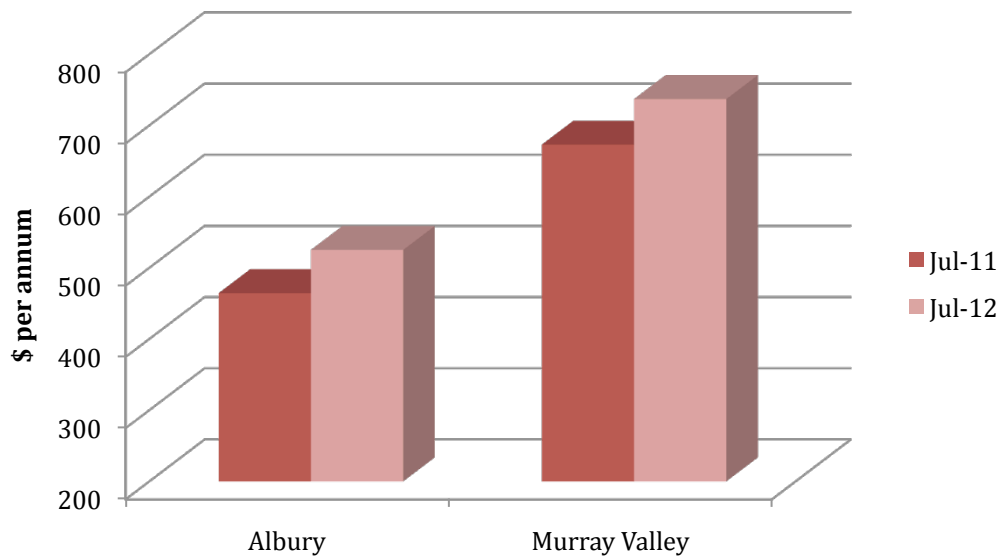


Table 2 and 3 below highlight some of the price trends for NSW electricity and gas offers. For more detailed information about the areas and differences in energy price increases see section 4.

⁶ Note: The Goulburn zone includes Boorowa, Yass and Young. The Queanbeyan zone includes Bungendore.

⁷ Note: The Albury zone includes Moama and Jindera. The Murray Valley zone covers Murray Valley towns.

Table 2 Electricity price increases by area July 2011 – July 2012⁸

Area	Increase to annual bill since July 2012		Percentage increase
	Single rate	Two rate [^]	
Inner Sydney, the Central Coast up to Newcastle, and inland areas such as Maitland, Cessnock, Singleton and Upper Hunter (Ausgrid)	\$380	\$365	22%
Western Sydney, most of the Illawara Coast, the Blue Mountains and inland towns such as Lithgow and Kandos (Endeavour Energy)	\$230	\$215	12%
Most of rural and regional NSW - from north of Port Stephens and Murrundi, south of Batemans Bay and east of Lithgow (Essential Energy)	\$510	\$495	21%

[^] For all-electric households with peak/off-peak (controlled load) rates

⁸ Based on household consumption of 7,200kWh per annum at the rate of the regulated retail 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 retail offer for the controlled load tariff.

Table 3 Gas price increases (average) by area July 2011 – July 2012⁹

Area	Increase to annual bill since July 2012	Percentage increase
Sydney, Newcastle, Wollongong, Blue Mountains (AGL)	\$110	15%
Cooma and Bombala (Country Energy)	\$75	11%
Holbrook, Henty, Culcairn and Walla (Country Energy)	\$75	11%
Temora (Country Energy)	\$75	11%
Tumut and Gundagai (Country Energy)	\$75	10%
Wagga Wagga and Uranquity (Country Energy)	\$75	11%
Tamworth (Country Energy)	\$85	9%
Boroowa, Goulburn, Yass and Young (ActewAGL)	\$105	14%
Queanbeyan and Bundgendore (ActewAGL)	\$90	13%
Shoalhaven (ActewAGL)	\$65	10%
Albury, Moama and Jindera (Origin)	\$60	13%
Murray Valley Towns (Origin)	\$65	10%

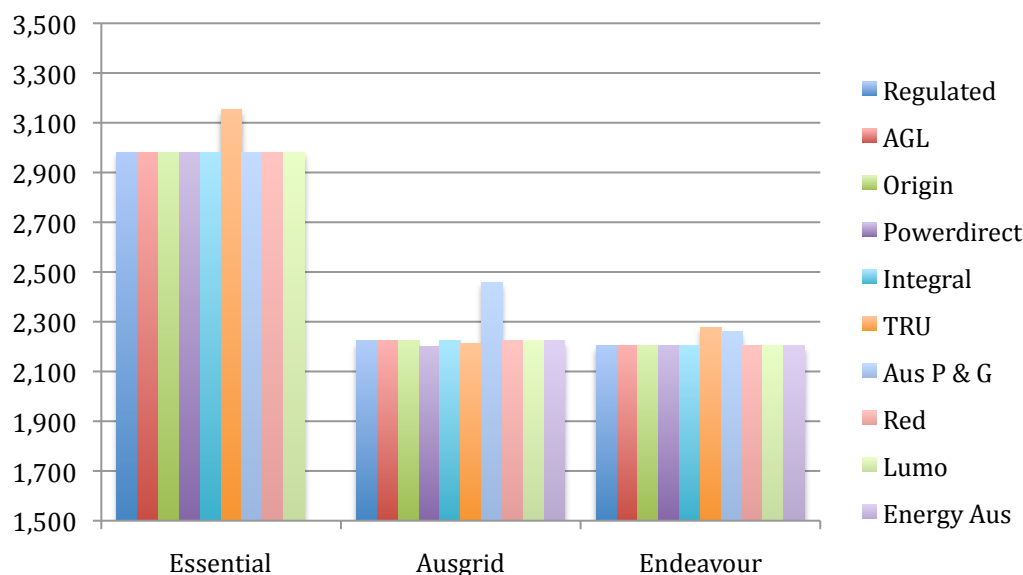
⁹ Based on the regulated gas rates for customers using 24,000Mj per annum.

2. Regulated vs. market offers July 2012

2.1 Electricity: Regulated vs. market offers July 2012

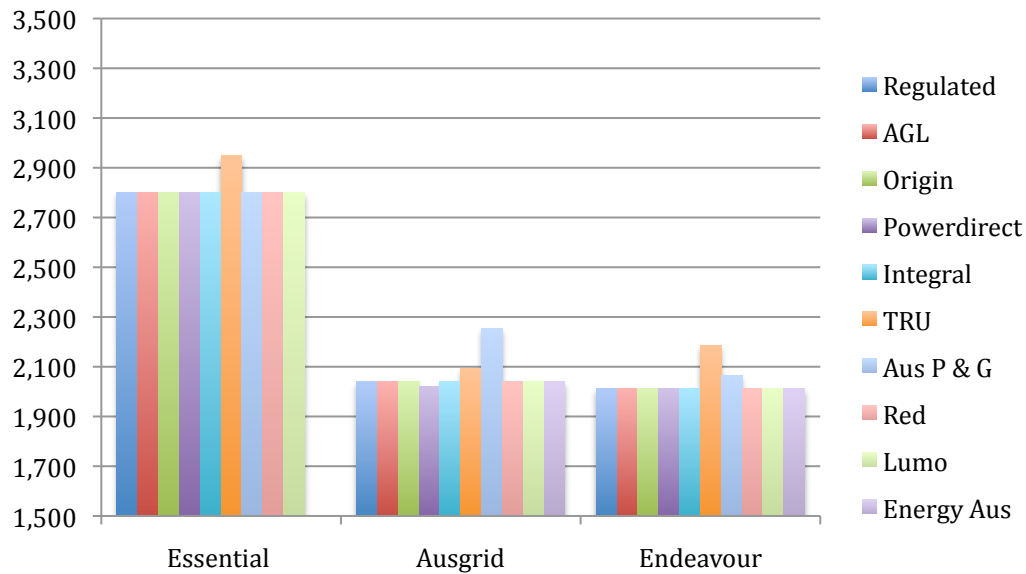
Charts 7 and 8 below show that households using 7,200kWh per annum will have an annual electricity bill of between \$2200 and \$3000 (depending on network area) and all-electric households using 8,000kWh per annum (and thereof 30% controlled off-peak) will have an annual bill of between \$2000 and \$2800. Furthermore, charts 7 and 8 show that none of the retailers have market offer rates below the regulated rates. They do offer additional discounts but their published rates are not lower.¹⁰ Tru and Australian Power and Gas both have market offer rates (discounts excluded) that produce higher annual bills for typical consumption households than the regulated rates.

Chart 7 Electricity offers post July 2012 as annual bills – Market offer discounts not included, Single rate, 7,200kWh (GST inc)



¹⁰ The annual bill for Powerdirect's market offer in AusGrid's area is slightly less than the regulated rates for this consumption level. This is because Powerdirect only applies one step-increase (after 1,750 kWh per quarter) while the regulated rates apply two step-increases (first 1,000kWh and next 1,000 kWh). Powerdirect's rate for consumption above the first block is thus lower than the regulated rates for 'balance' but higher than the regulated rate for the 2nd consumption block. Tru's market offer also has only one step-increase (same as Powerdirect's), but Tru has adjusted the supply charge rather than the consumption rates.

Chart 8 Electricity offers post July 2012 as annual bills – Market offer discounts not included, Two-rate, 8,000kWh thereof 30% controlled off-peak 1 (GST inc)



As stated above, the calculations for the market offers in Charts 7 and 8, are based on their rates only (cost per kWh and fixed charges) and do not include other market offer features such as discounts on consumption rates, vouchers, sign-up credits, loyalty bonuses and discounts if bills are paid on time.

Consumers assessing market offers should take these additional features into account 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.

Charts 9-11 below show the difference in annual bill between regulated offer and market offers excluding discounts (to the left) and market offers inclusive of discounts (to the right) for each of the three network areas.

Chart 9 Annual bills excluding vs. including discounts. Electricity offers in Essential/Country network area post July 2012 as annual bills, Single rate, 7,200kWh (GST inc).¹¹

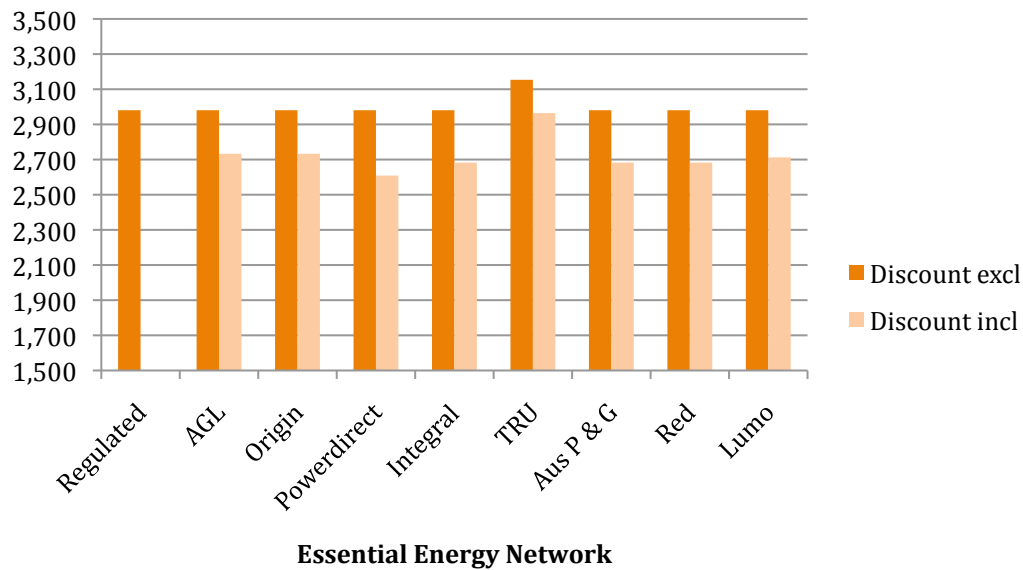
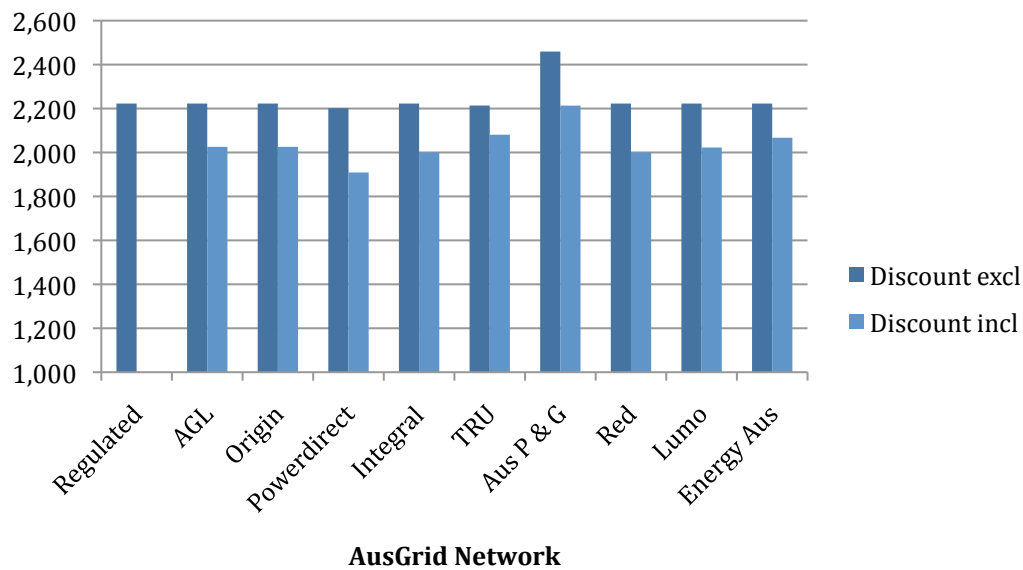


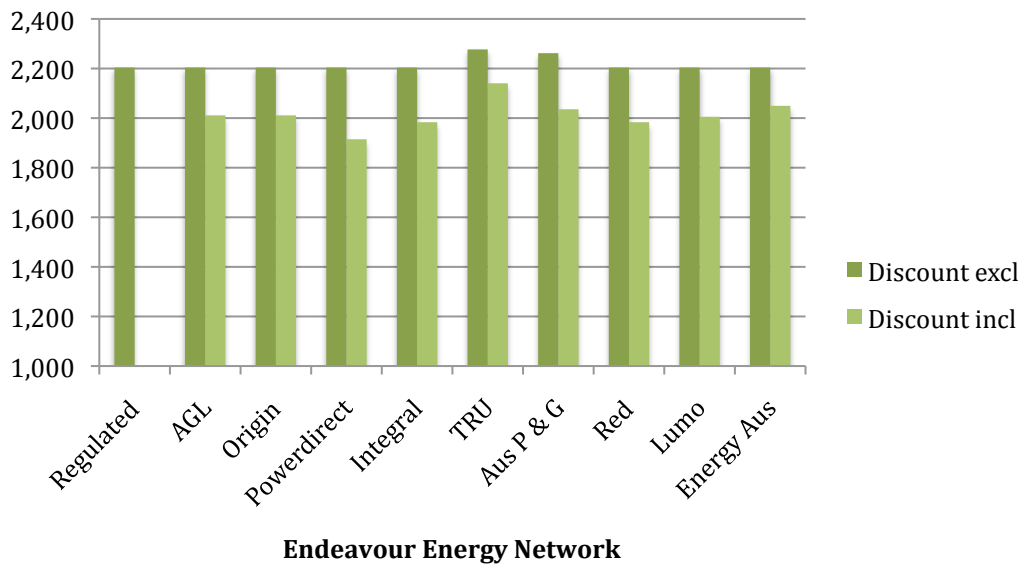
Chart 10 Annual bills excluding vs. including discounts. Electricity offers in AusGrid/Energy Australia network area post July 2012 as annual bills, Single rate, 7,200kWh (GST inc).¹²



¹¹ Calculations include discounts off usage or bill as well as pay on time discounts off usage or bill.

¹² Calculations include discounts off usage or bill as well as pay on time discounts off usage or bill.

Chart 11 Annual bills excluding vs. including discounts. Electricity offers in Endeavour/Integral network area post July 2012 as annual bills, Single rate, 7,200kWh (GST inc).¹³



The discounts (including pay on time discounts) used to estimate annual bills for Charts 9-11 above 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 higher discounts than those listed here (see appendix 1). However, if the discount is higher the length of the contract term is generally longer, and vice versa.

¹³ Calculations include discounts off usage or bill as well as pay on time discounts off usage or bill.

Table 4 Published electricity market offers taking effect after July 2012: Key additional features and contract conditions

	Discounts	Fixed term	Early Termination Fee	Late Payment Fee	Pay on time discounts	Other
AGL [^]	10% off usage	3 years	Up to \$75	\$14	No	Yes
Origin ^{^^}	8% off usage	1 year	\$70	\$12	2% off consumption	Yes
Tru	3% off bill	3 years	Up to \$90	No	3% off bill	No
Aus P&G	No	3 years	Up to \$88	\$10	10% off usage	No
Energy Australia*	7% off bill	2 years	Up to \$50	\$12	No	No
Integral	10% off bill	2 years	Up to \$95	\$7	No	No
Powerdirect**	15% off usage	3 years	Up to \$48	\$14	No	Yes
Red	No	2 years	Up to \$95	No	10% off bill	Yes
Lumo***	No	2 years	Up to \$75	No***	9% off bill	Yes

[^] AGL's Advantage 10 offer currently includes a \$175 account credit.

^{^^} Origin's offer includes a further 1% off consumption rates if bills are paid by direct debit and 1% off electricity consumption if customer signs up for gas.

* Energy Australia's offer is not available to customers in Essential/Country network.

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

*** Lumo's Price and product information statement does not stipulate the early termination fee amount (the \$75 figure is based on previous statements) nor does it state whether late payment fees apply.

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

As most retailers tend to apply the same rates as the regulated rates to their market offer and then offer discounts, it is important that customers are aware that some of these discounts are conditional upon bills being paid on time. In practise, this means that the electricity market is more competitive for the segment of customers who typically pay on time – i.e. this group of customers have a higher number of competitively priced retail offers available to them. Pay on time discounts combined with late payment fees, means that NSW households can be significantly penalised for late payment. Or conversely, NSW households can be significantly rewarded for prompt payment. It does, however, highlight an issue that negatively impacts on households with cash-flow problems.

Table 5 Electricity offers taking affect after July 2012: Difference (\$) in annual bill between paying all bills on time vs. paying all bills late (based on 7,200kWh per annum, single rate, 4 bills per annum)

	Ausgrid	Endeavour	Essential
Regulated Offer	\$30	\$30	\$30
AGL	\$56	\$56	\$56
Origin	\$84	\$83	\$93
Powerdirect	\$56	\$56	\$56
Integral	\$28	\$28	\$28
Tru	\$60	\$62	\$86
Australian P&G	\$264	\$246	\$311
Red	\$202	\$200	\$271
Lumo*	\$182	\$180	\$244
Energy Aus**	\$48	\$48	N/A

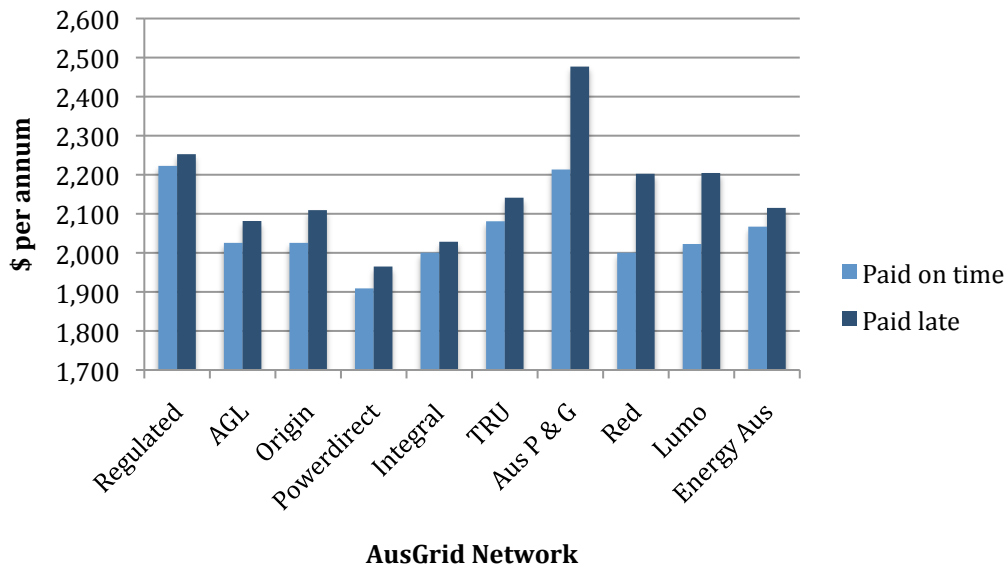
* Lumo's offer does not stipulate whether late payment fees apply and these calculations do not include a late payment fee for Lumo.

**Energy Australia does not offer market contracts to customers in Essential/Country area.

Table 5 above shows that paying late can become very expensive on some market offers. Households with Australian Power and Gas (in Essential Energy's area), for example, would be \$311 worse off if they pay late compared to paying on time. The difference for Australian Power and Gas is large because the market contract includes a significant pay on time discount as well as late payment fees.

Chart 12 below shows the estimated annual electricity bill for customers that always pay on time and for those who always pay late, for published electricity offers in the Ausgrid network area.

Chart 12 AusGrid network area: Estimated annual bill for customers that pay on time vs. pay late, electricity offers as of July 2012, Single rate, 7200kWh (GST inc)¹⁴



Households always able to pay their electricity bills by the due date can save significantly by switching from the regulated offer to a market offer. By switching from the regulated offer to Powerdirect’s market offer a typical consumption household may save \$300 per annum. AGL, Integral and Origin have offers that could shave approximately \$200 off the annual bill (by switching from the regulated offer) if always paid on time.

Households with cash-flow problems, and thus late paying bills, are not always able to achieve the same savings by switching from the regulated offer to a market offer. Indeed, in the case of Australian Power and Gas, customers paying late will be significantly worse off on their market offer compared to regulated offer. Powerdirect’s market offer will produce the greatest saving for late paying customers looking to switch, with an estimated annual saving of \$290 for a typical consumption household. Integral’s market offer would produce a saving of approximately \$220 for the same household.

¹⁴ Annual bill calculation includes discounts, pay on time discounts and late payment fees as per energy offer. Note: Lumo’s offer does not stipulate whether late payment fees apply and these calculations do not include a late payment fee for Lumo.

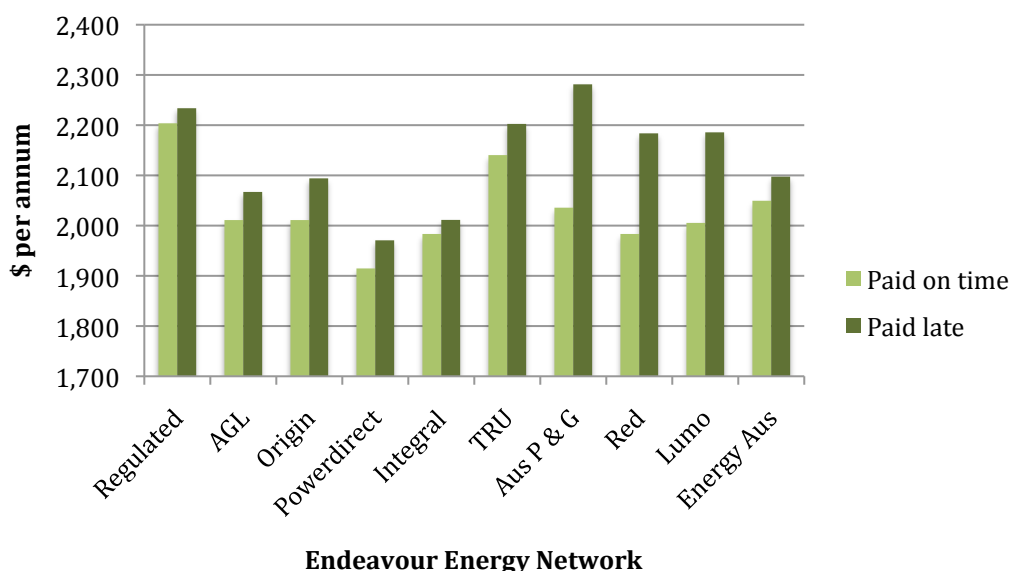
Table 6 Potential annual savings (\$) by switching from regulated offer to market offer in Ausgrid’s network area (based on 7,200kWh per annum, single rate, 4 bills per annum)

AUSGRID Network Area	Paid on time	Paid late
AGL	\$237	\$211
Origin	\$197	\$143
Powerdirect	\$314	\$288
Integral	\$222	\$224
Tru	\$142	\$111
Australian P&G	\$9	-\$224
Red	\$222	\$50
Lumo*	\$200	\$48
Energy Australia	\$156	\$138

* Lumo’s offer does not stipulate whether late payment fees apply and these calculations do not include a late payment fee for Lumo.

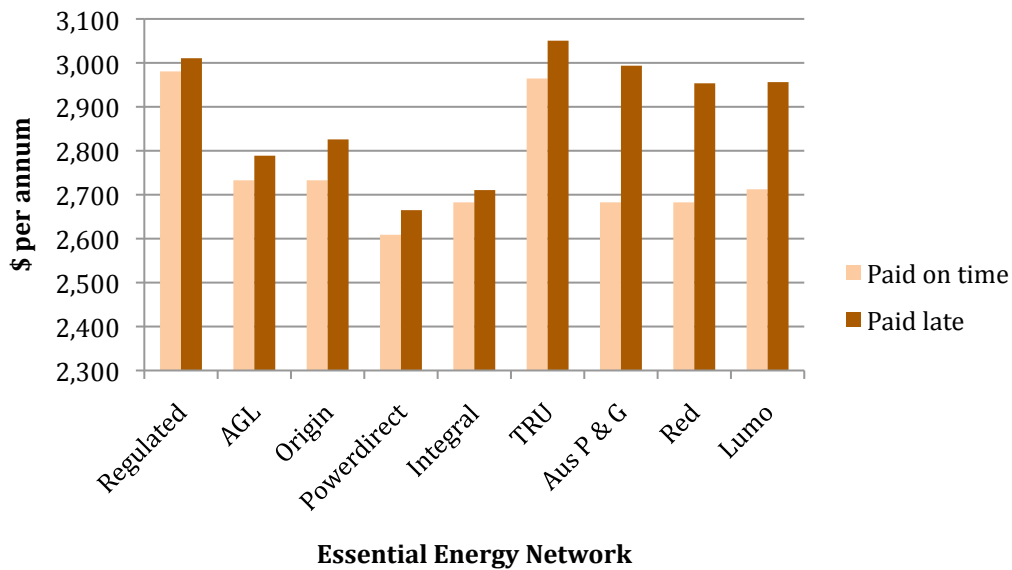
Charts 13 and 14 show a similar story for Endeavour and Essential Energy’s network areas. It is however worth noting Tru’s offers in Essential’s area (Chart 14). Tru’s market offer, including discounts, amounts to nearly the same annual bill as the regulated offer for customers who pay on time. Furthermore, Tru’s market offer is higher than the regulated offer if customers pay late, even though Tru does not charge late payment fees.

Chart 13 Endeavour Energy network area: Estimated annual bill for customers that pay on time vs. pay late, electricity offers post July 2012 as annual bills, Single rate, 7,200kWh (GST inc)¹⁵



¹⁵ Annual bill calculation includes discounts, pay on time discounts and late payment fees as per energy offer. Note: Lumo’s offer does not stipulate whether late payment fees apply and these calculations do not include a late payment fee for Lumo.

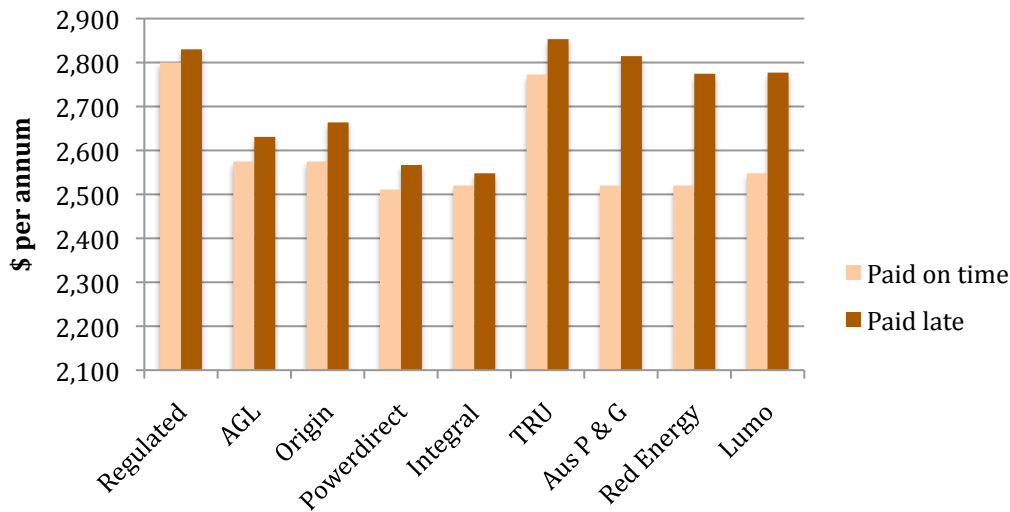
Chart 14 Essential Energy network area: Estimated annual bill for customers that pay on time vs. pay late, electricity offers post July 2012 as annual bills, Single rate, 7,200kWh (GST inc)¹⁶



The majority of households in Essential’s network area does not have access to reticulated gas and are as such they more likely to have higher electricity consumption as well as using a two-rate meter that allows for controlled off-peak load. As with the chart above, chart 15 below shows the estimated annual electricity bill for customers that always pay on time and customers who do not for published electricity offers in Essential’s network area. These calculations, however, are based on two-rate offers and households using 8,000kWh per annum (thereof 30% off-peak).

¹⁶ Annual bill calculation includes discounts, pay on time discounts and late payment fees as per energy offer. Note: Lumo’s offer does not stipulate whether late payment fees apply and these calculations do not include a late payment fee for Lumo.

Chart 15 Essential/Country Energy: Estimated annual bill for customers that pay on time vs. pay late, Two rate with controlled load (8,000kWh per annum, 30% off-peak1), inc GST¹⁷



Essential Energy Network

Typical consumption households currently on the regulated rates can potentially save over \$280 per annum by switching to one of the better market offers, if they always pay their bills on time. Customers who do *not* usually pay their bills on time, will save the most by switching to Powerdirect and the least by switching to Tru, Australian Power and Gas, Lumo and Red Energy.

Table 7 Potential annual savings (\$) by switching from regulated offer to market offer in Essential/Country Energy’s network area (based on 8,000kWh per annum, inc 30% off-peak 1, 4 bills per annum)

Essential Network Area	Paid on time	Paid late
AGL	\$225	\$199
Origin	\$225	\$166
Powerdirect	\$289	\$263
Integral[^]	\$280	\$282
Tru	\$27	-\$23
Australian P&G	\$280	\$15
Red	\$280	\$55
Lumo^{^^}	\$252	\$53

[^] As Integral is owned by Origin, we assume new market contract customers in Essential’s area would be offered a contract with Origin rather than Integral.

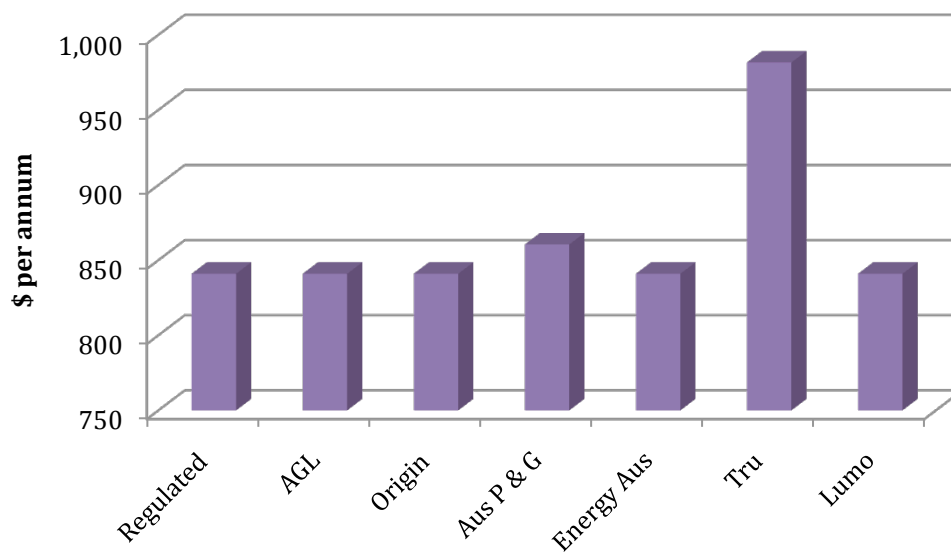
^{^^} Lumo’s offer does not stipulate whether late payment fees apply and these calculations do not include a late payment fee for Lumo.

¹⁷ Annual bill calculation includes discounts, pay on time discounts and late payment fees as per energy offer. Note: 1) Powerdirect’s discount has only been applied to 70% of consumption as it does not offer discounts on controlled load and 2) Lumo’s offer does not stipulate whether late payment fees apply and these calculations do not include a late payment fee for Lumo.

2.2 Gas: Regulated vs. market offers July 2012

There are relatively few gas market offers available in NSW and the only area where there is more than two offers (most non-metropolitan areas only have the regulated offer) is Sydney (Jemena/AGL gas zone). As such, this analysis only comprises regulated vs. market offers in the greater Sydney area. Chart 16 below shows that market offer rates (prior to additional discounts) are the same, or above, the regulated rates.

Chart 16 Gas offers in Jemena/AGL zone as annual bills, July 2012 (24,000Mj per annum, inc GST)



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

Table 8 Published gas market offers in Jemena/AGL gas zone as of July 2012: Key additional features and contract conditions

	Discounts	Fixed term	Early Termination Fee	Late Payment Fee	Pay on time discounts	Other
AGL	10% off usage	3 years	Up to \$75	\$12.80	No	Yes
Origin [^]	7% off usage	1 year	\$70	\$12	2% off consumption	Yes
Aus P&G	No	3 years	Up to \$88	\$10	10% off usage	No
Energy Australia	7% off bill	2 years	Up to \$50	\$12	No	No
Tru	3% off bill	3 years	Up to \$90	No	3% off bill	No
Lumo ^{^^}	No	2 years	Up to \$75	No ^{^^}	9% off bill	Yes

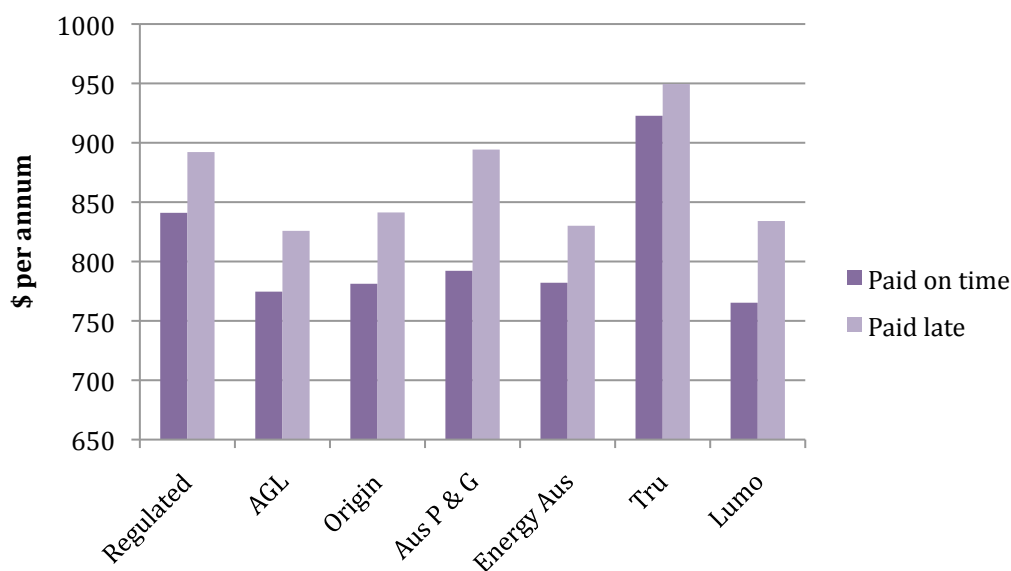
[^] Origin's offer includes a further 1% off consumption rates if bills are paid by direct debit and 1% off electricity consumption if customer signs up for gas.

^{^^} Lumo's Price and product information statement does not stipulate the early termination fee amount (the \$75 figure is based on previous statements) nor does it state whether late payment fees apply.

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

Chart 17 below shows the estimated annual gas bill for customers that always pay on time and customers who always pay late for published gas offers in the Jemena/AGL gas zone.

Chart 17 Gas offers in Jemena/AGL area: Estimated annual bill for customers that pay on time vs. pay late (based on 24,000Mj and 4 bills per annum, inc GST)¹⁸



¹⁸ Annual bill calculation includes discounts, pay on time discounts and late payment fees as per energy offer. Note: Lumo's offer does not stipulate whether late payment fees apply and these calculations do not include a late payment fee for Lumo.

Sydney (Jemena/AGL zone) households can reduce their gas bills by switching from the regulated offer to a market offer. As long as they do not switch to Tru (Tru's market offer rates are higher than the regulated rates), average consumption households that always pay on time can save between \$50-\$75 per annum by switching to a market contract. Late paying customers may save approximately \$65 by annum by switching to a market contract but these households may be worse off if they switch to Australian Power and Gas (in addition to Tru).

Table 9 Potential annual savings (\$) by switching from regulated offer to market offer in the Jemena/AGL gas zone (based on 24,000Mj, 4 bills per annum)

Jemena/AGL Gas Zone	Paid on time	Paid late
AGL	\$66	\$66
Origin	\$60	\$51
Australian P&G	\$49	-\$2
Energy Australia[^]	\$59	\$62
Tru[^]	-\$82	-\$57
Lumo^{^^}	\$76	\$58

[^] As Energy Australia is owned by Tru, it is currently unclear whether new market contract customers would be offered a contract based on Energy Australia or Tru's rates.

^{^^} Lumo's offer does not stipulate whether late payment fees apply and these calculations do not include a late payment fee for Lumo.

3. Changes to the supply charges

The supply charge is a fixed daily charge that is paid in addition to the consumption charges for electricity used. The supply charge varies significantly between network areas and metering type. The supply charge for single rate meters is typically the lowest and TOU meters the highest (with the exception of Essential Energy's area). Charts 18-20 below show the difference in the supply charge for single rate, controlled off-peak (or two-rate) and Time of Use (TOU) meters.

As of July 2012 the supply charge for regulated offers in Essential Energy's network is approximately 138 cents a day for single rate, 150 cents for two-rate (controlled off-peak) and 138 cents for TOU. As two-rate/controlled load is a common metering type for households in Essential's network area, a large proportion of customers in country NSW now pay almost \$550 per annum in fixed supply charges. That is almost 30% more than what the fixed supply charge for two-rate/controlled load customers was one year ago.

For customers in Ausgrid's network area, it is 69 cents a day for single rate and two rate customers, and 82 cents for TOU. Customers in Endeavour Energy's area pay 76 cents a day for single rate, 81 for two rate and 98 cents for TOU.

Chart 18 Essential Energy network area, supply charges by meter type, regulated electricity offers, July 2011 –July 2012 (c/day) and percentage difference from July 2011 to July 2012

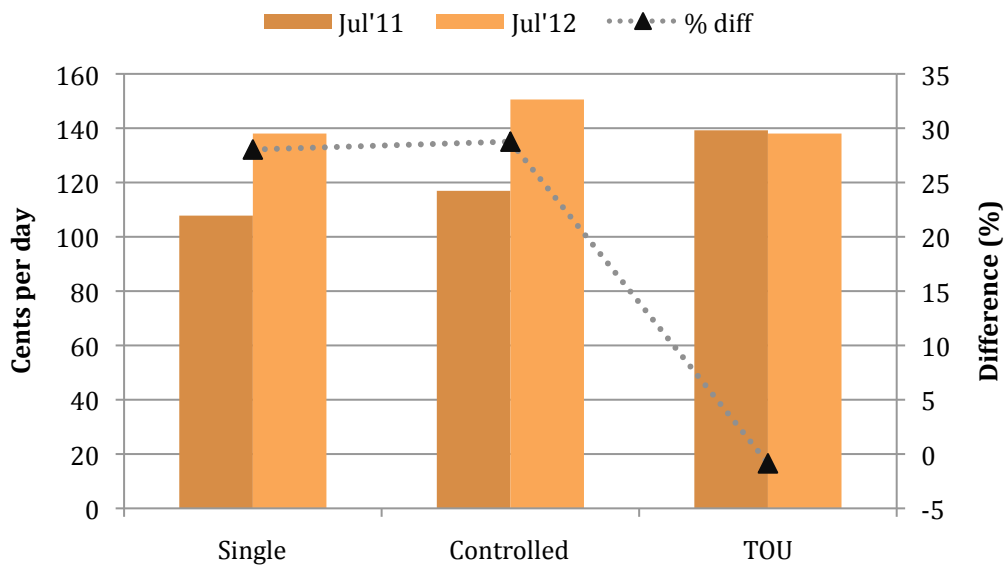


Chart 19 AusGrid network area, supply charges by meter type, regulated electricity offers, July 2011 –July 2012 (c/day) and percentage difference from July 2011 to July 2012

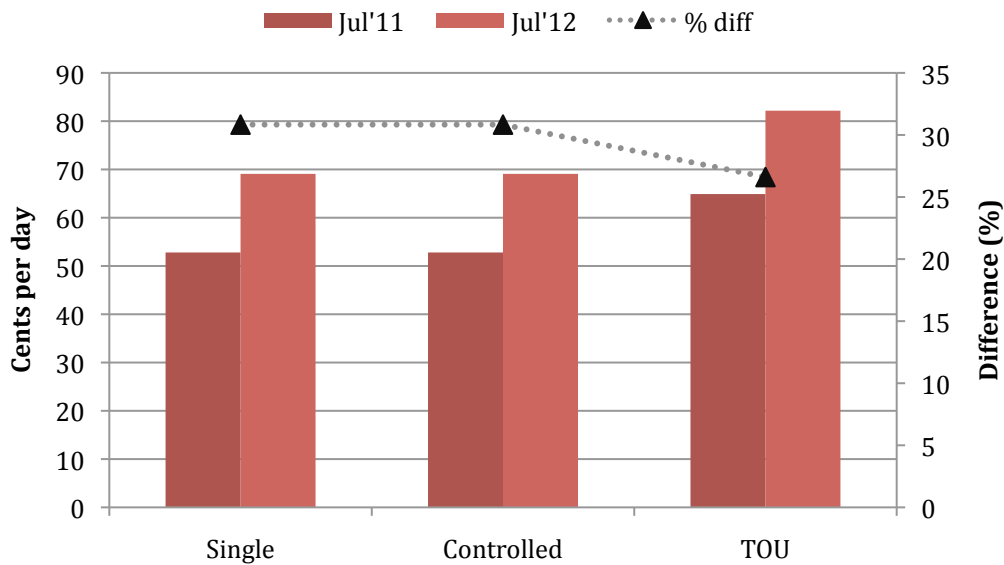
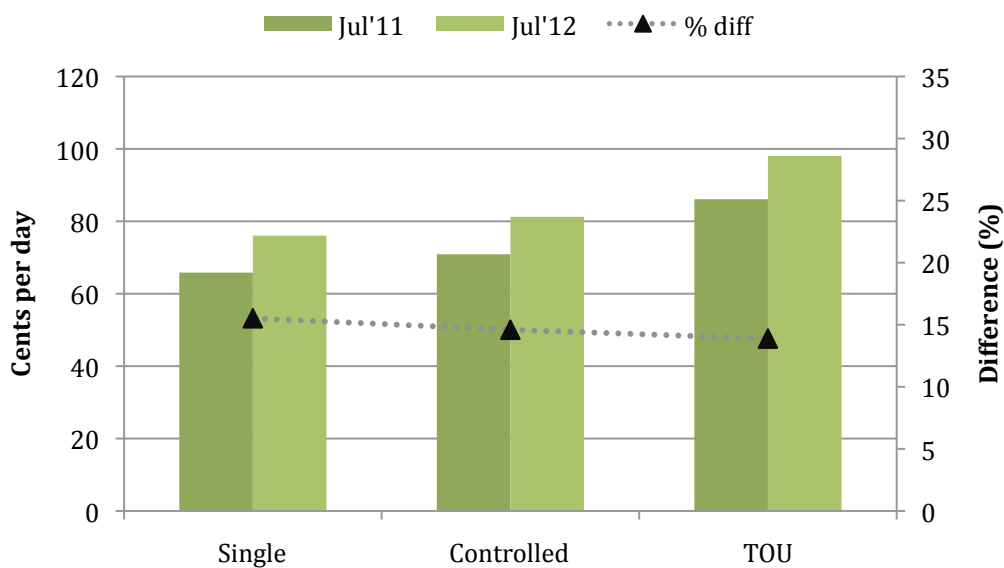


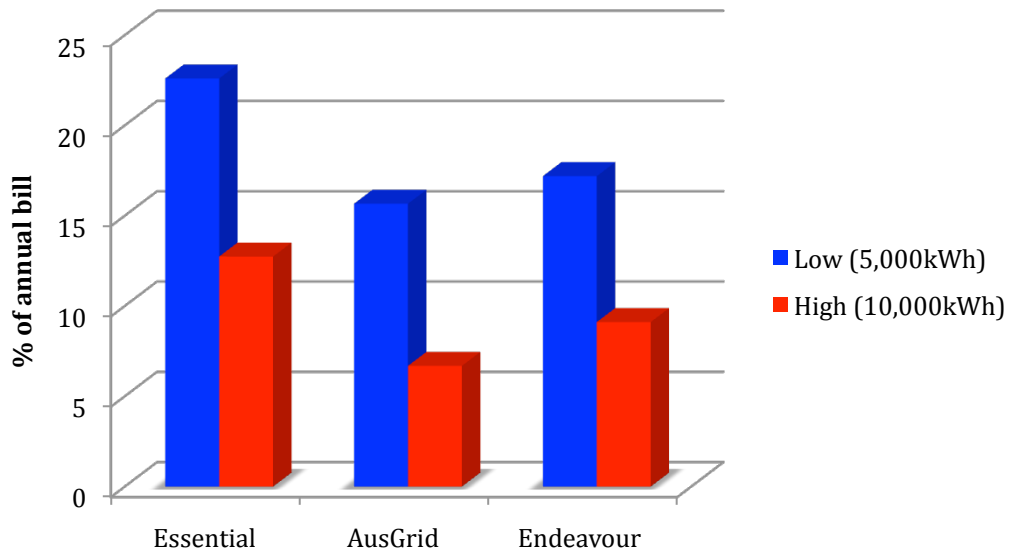
Chart 20 Endeavour Energy network area, supply charges by meter type, regulated electricity offers, July 2011 –July 2012 (c/day) and percentage difference from July 2011 to July 2012



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 NSW average. Pensioners make up one of these lower consumption groups.

Chart 21 below shows the difference between households consuming 5,000kWh per annum (blue bar) and households consuming 10,000kWh per annum (red bar) when it comes to the proportion of the annual electricity bill that goes to cover fixed supply charges. Fixed charges would make up between 16-23% of the annual electricity bill for low consumption household. A high consumption household on the other hand, would pay between 7-13% of their annual bill in fixed charges.

Chart 21 Supply charge as proportion (%) of annual electricity bills for high and low consumption households, Regulated offers July 2012, single rate



4. Total cost of energy by area

The analysis presented in this report shows that some areas have experienced higher price increases than others. Households in Essential Energy's network area, for example, have seen the greatest electricity price increases since July 2011. The greatest increases in gas prices since July 2011 have occurred in the Jemena/AGL gas zone and in ActewAGL's Goulburn, Boorowa, Yass and Young zone. As approximately 30% 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. 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

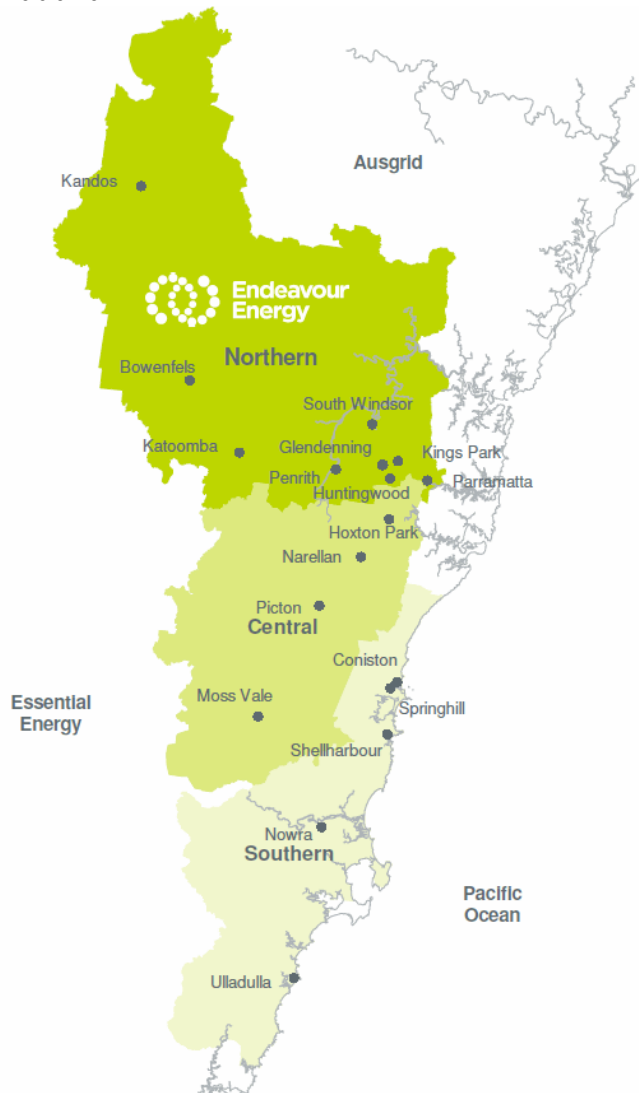
In this area, the regulated electricity offer has increased by \$380 per annum for average consumption households (7,200kWh) since July 2011. Households in the Jemena/AGL gas zone have experienced an increase in gas prices of approximately \$110 over the same period.¹⁹

- 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 \$490 since July 2011.²⁰

- All-electric households in Sydney, Newcastle, Maitland, Singleton, Muswellbrook and the Upper Hunter have typically experienced an increase in *electricity* costs of \$365 since July 2011.²¹

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



Source: www.endeavourenergy.com.au

In this area, the regulated electricity offer has increased by \$230 for average consumption households (7,200kWh) since July 2011. Households in the

²⁰ These are households in Ausgrid's electricity distribution network and Jemena/AGL's gas zone.

²¹ These are households on a two-rate (controlled load) tariff in Ausgrid's electricity distribution network.

Jemena/AGL gas zone have experienced an increase in gas prices of approximately \$110 over the same period.²²

- 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 \$340 since July 2011.²³
- Dual fuel households in Nowra/Shoalhaven have typically experienced an increase in *energy* costs of \$295 since July 2011.²⁴
- 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 \$215 since July 2011.²⁵

4.3 Rural and Regional NSW



Source: Country Energy, Annual Report 2009-10

In this area, the regulated electricity offer has increased by \$510 for average consumption households (7,200kWh) since July 2011. For all-electric

²² These are households in Endeavour's electricity distribution network and Jemena gas zone.

²³ These are households in Endeavour Energy's electricity distribution network and Jemena/AGL's gas zone.

²⁴ These are households in Endeavour Energy's electricity distribution network and ActewAGL's gas zone.

²⁵ These are households on a two-rate (controlled load) tariff in Endeavour Energy's electricity distribution network.

households (8,000kWh, 30% controlled off peak) the regulated electricity offer has increased by \$495 since July 2011.

- 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 \$620 since July 2011.²⁶
- Dual fuel households in Goulburn, Boorowa, Yass and Young have typically experienced an increase in *energy* costs of \$615 since July 2011.²⁷
- Dual fuel households in Queanbeyan and Bungendore have typically experienced an increase in *energy* costs of \$600 since July 2011.²⁸
- Dual fuel households in Temora, Wagga Wagga, Holbrook, Henty, Cualcairn, Walla Walla, Cooma and Bombala have typically experienced an increase in *energy* costs of \$585 since July 2011.²⁹
- Dual fuel households in Tamworth have typically experienced an increase in *energy* costs of \$595 since July 2011.³⁰
- Dual fuel households in Albury, Jindera and Moama have typically experienced an increase in *energy* costs of \$570 since July 2011.³¹
- Dual fuel households in located in Murray Valley towns have typically experienced an increase in *energy* costs of \$575 since July 2011.³²
- 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 \$495 since July 2009.³³

²⁶ These are households in Essential Energy's electricity distribution network and Jemena/AGL's gas zone.

²⁷ These are households in Essential Energy's electricity distribution network and ActewAGL's gas zone.

²⁸ These are households in Endeavour Energy's electricity distribution network and ActewAGL's gas zone.

²⁹ These are households in Essential Energy's electricity distribution network and Country Energy's gas zone.

³⁰ These are households in Essential Energy's electricity distribution network and Essential/Country Energy's gas zone.

³¹ These are households in Essential Energy's electricity network and Origin's gas zone.

³² These are households in Essential Energy's electricity network and Origin's gas zone.

³³ These are households on a two-rate (controlled load) tariff in Essential Energy's electricity distribution network.

Appendix 1: Electricity market offer features

Retailer	Product	Features
AGL	Advantage 10	10% discount (usage) 36 month contract Early termination fee AGL shop voucher
	Advantage 10 + \$175	10% discount (usage) 36 month contract Early termination fee \$175 account credit AGL shop voucher
Origin	Daily Saver 8%	8% discount (usage) 2% pay on time discount (usage) 1% direct debit discount (usage) 1% discount (usage) if signing up for Origin gas contract. 12 month contract Early termination fee
	Flexi choice	No discount No fixed contract No early termination fee
	One month free	A rebate valued at a month's average consumption cost credited to account after 1 year of bills being paid on time. 1% direct debit discount (usage) 24 month contract Early termination fee
	Rate freeze	1% direct debit discount (usage) 24 month contract Early termination fee Note: This offer has a higher supply charge than the other contracts.
Tru	Go easy	3% pay on time discount (bill) 12 month contract Early termination fee
	Go for more	3% discount off bill 3% pay on time discount (bill) 36 month contract Early termination fee
Aus P&G	Smart Saver 6	6% pay on time discount (usage) 12 month contract Early termination fee
	Smart Saver 10	10% pay on time discount (usage) 32 month contract Early termination fee
Powerdirect	Residential 15% offer	15% discount (peak usage, not applicable for controlled load) 36 month contract Early termination fee

		\$20 account credit for direct debit agreement
Red Energy	Living Energy Saver	10% pay on time discount (bill) 24 month contract Early termination fee
Integral	INhome Easy Saver	10% discount (bill) 24 month contract Early termination fee
Lumo[^]	Lumo Advantage	9% pay on time discount (bill) 24 month contract Early termination fee
Momentum	SmilePower	Renewable energy Choice between 12, 24 and 36 month contract Early termination fee
Energy Australia^{^^}	7% Discount	7% discount (bill) 24 month contract Early termination fee
	Rate Fix	24 month contract Early termination fee
Dodo	5%	5% pay on time discount (usage) No fixed contract No early termination fee
	10%	10% pay on time discount (usage) 12 month contract Early termination fee

[^] Lumo's offer vary between website search and Product information statement. Website states 10% discount while statement states 9%. Furthermore, none of the information sources stipulate the early termination fee amount or whether late payment fees apply.

^{^^} Energy Australia's offers are not available to customers in Essential energy's network area.

Appendix 2: SCER comments on this report and our responses

The Consumer Advocacy Panel funded this project and in accordance with the funding agreement, the report and the associated workbooks were circulated to the Standing Council on Energy and Resources (SCER) Secretariat prior to being released. The SCER's NSW representatives provided three comments on the report, and as per funding agreement, our explanation for why we reject these proposals are outlined below.³⁴

1. SCER proposal

Concerns about providing analysis of retail market offers that exclude discounts. In NSW competition occurs primarily about the level of discounting, most of which is off the regulated price. Charts 7 and 8 of the report which purport to compare bills but really are comparing the tariffs (but do not include the discounts) imply that the competitive market offers few monetary benefits ie all of the offers are the same). If we are thinking about bills that customers pay then it's important to include the discounts.

Our explanation:

The purpose of these charts is not just to compare estimated annual bills based on tariff rates. As stated above the charts on page 11:

“Furthermore, charts 7 and 8 show that none of the retailers have market offer rates below the regulated rates. They do offer additional discounts but their published rates are not lower. Tru and Australian Power and Gas both have market offer rates (discounts excluded) that produce higher annual bills for typical consumption households than the regulated rates”.

These charts have been included to show that competition in NSW is still primarily about the level of discounting off the regulated rate (as also shown in the July 2011 report). This may change in the future (as it has in other jurisdictions) and charts similar to charts 7 and 8 will then be useful to demonstrate the impact the difference in tariff rates has on the annual bill for a specific consumption level.

2. SCER Proposal

In relation to paying on time, the report notes that the discounts are larger for those customers that pay on time, concluding that the electricity market is more competitive for those customers that pay on time. The level of discounting does not necessarily indicate the level of competition for different customer groups. Customers that pay on time/late are cheaper/more expensive to serve and the difference in discounts may reflect this difference in cost.

Our explanation:

The report does *not* conclude that the market is more competitive for customers that pay on time *because* a discount is higher. On page 15 the report states:

³⁴ The SCER proposals listed in this appendix were received by email on 21 August 2012.

“In practise, this means that the electricity market is more competitive for the segment of customers who typically pay on time – i.e. this group of customers have a higher number of competitively priced retail offers available to them.”

As NSW market offers may include both pay on time discounts and late payment fees (that are higher than those applied to the regulated offer), it is important that late paying customers looking to switch to a market offer are aware that the potential saving may be substantially less than it first appears.

Finally, while we agree that customers paying late are more expensive to serve and that this is the rationale for the late payment fees, we do not believe the pay on time discounts are, or should be, about cost reflectivity. Retailers are of course free to determine their own pricing strategies and we understand that retailers may wish to offer pay on time discounts only (indeed, it may be a sensible strategy for 2nd tier retailers building up their customer base). The late payment fees, on the other hand, are about reflecting the cost of serving late paying customers. It is therefore discouraging to observe a retail market where late payment fees on market offers are higher than those applied to the regulated offer.

3. SCER Proposal

Potential for the increases in dual fuel bills to be overstated as it seems they have added an average electricity customer bill to an average gas customer bill

Our explanation:

We have not added the electricity bill for all-electric households to the gas bill. We have added the electricity bill for single rate customers (typically dual-fuel households or all-electric apartments) with an average consumption to the gas bill in order to estimate increases to energy costs for dual fuel households.

The methodology is referenced throughout the report, the footnote attached to the headline of Section 1, for example, states:

“These calculations are based on increases to the regulated offer for single rate electricity customers using 7,200kWh per annum, increases to the regulated 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.”

We are however keen to stress that it would be impossible to determine the NSW average without knowing the exact consumption level for each metering type in each network area, as well as the number of households on each metering type, and this report does not purport to do so. A key objective of the Tariff-Tracking project is to analyse changes to energy tariffs and estimate bill impacts for households (based on a typical, or common, consumption level), as we believe this form of analysis provides households and consumer representatives with more meaningful information about energy prices than the statistical average for NSW. In addition, we encourage readers with an interest in energy prices and

analysis to use the 4 workbooks where bills can be estimated based on any assumption the user may wish to make in regards to consumption levels and peak/off-peak proportions.