

THE NEM -

Lower prices, more offers:
Are consumers reaping
the rewards?



Observations from the Vinnies'
Tariff-Tracking Project



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The NEM – Lower prices, more offers: Are consumers reaping the rewards?

Observations from the Vinnies' Tariff-Tracking Project

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Melbourne, November 2021

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We also wish to thank and acknowledge the efforts of the various retailers and other stakeholders that review and provide feedback on these reports. While any errors that may occur are our own, we appreciate their views, suggestions and cooperation.

Interactive online map

Key findings from the Vinnies' Tariff-Tracking project are also presented as an interactive online map. The updated map is available at the St Vincent de Paul Society's website:

https://www.vinnies.org.au/page/Our_Impact/Incomes_Support_Cost_of_Living/Energy/

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Background: The Tariff-Tracking Project

The St Vincent de Paul Society, in conjunction with Alvis Consulting, has been tracking changes to residential energy tariffs and reporting on household impacts since 2010. Initially the Tariff-Tracking project only covered Victoria but has since expanded to include New South Wales, Queensland, South Australia, Tasmania and the Australian Capital Territory.

The rationale for tracking changes to domestic energy prices has been to document price changes, analyse market developments and inform the broader community about bill impacts and potential savings to be made.

In our view, there is still a 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.

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, to 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.

In addition, a key aim of this project has been to document and analyse price and product developments arising from government policies and industry innovations, including the deregulation of retail prices, 'green policies', smart meter rollouts and transitions towards other smart grid developments.

With the introduction of the Default Market Offer (DMO) in NSW, South East Queensland and South Australia and the Victorian Default Offer (VDO) in Victoria from 1 July 2019 all the previously deregulated electricity retail markets are again regulated. The DMO and the VDO are significant developments that the Tariff-Tracking project will monitor and analyse the impact of.

The Australian Energy Regulator's (AER) DMO is expressed as an annual bill for a set consumption level and retailers are still able to "translate the annual amount into different tariff structures".¹ The Regulations stipulate that retailers must structure their prices to not exceed the annual DMO price for that consumption level.² The initial DMO took effect on 1 July 2019, and was amended in July 2020 and 2021.

The VDO is set by the Essential Services Commission (ESC) and the initial VDO took effect on 1 July 2019, and was amended in January 2020, January 2021 and September 2021. The VDO determines the rates for basic metering types in each network area and the retailers are obliged to reflect these rates when creating standing offers for other metering types (e.g. time of use tariffs).

All retailers are required to offer a DMO/VDO but they can, and still do, offer other market contracts.

¹ AER, Default Market Offer Prices 2019-20, Final Determination, April 2019, 9

² Ibid., 9

As the Tariff-Tracking project aims to monitor and assess changes to energy prices over time, the analysis presented in this report will be based on the same consumption levels (6,000 kWh and 30,000 Mj per annum) as in previous national comparison reports produced by the Tariff-Tracking project. The DMO, on the other hand, is set for households using between 3,900 and 4,900 kWh/annum in NSW (depending on network area), 4,600 kWh/annum in South East Queensland and 4,000 kWh/annum in South Australia.³ This means that the bills produced by the DMOs offered by retailers will vary for households using 6,000 kWh/annum as the retail offers have different supply charges and/or usage charges.

To date we have developed five workbooks for each of the National Electricity Market (NEM) jurisdictions.⁴ The workbooks allow the user to enter consumption levels and analyse household bills for standing or regulated gas and electricity offers, as well as published electricity and gas market offers.⁵ The workbooks, as well as associated reports, can be accessed at the St Vincent de Paul Society's website: www.vinnies.org.au/energy

This report is the result of a comparison of the state by state - based analyses undertaken as part of the Tariff-Tracking project, as well as reflections on the public debate on energy market developments and reasons for price increases over the last year. This year's report continues to focus on the impact of the retail price regulations that took effect on 1 July 2019.

³ For households with single rate metering.

⁴ As Tasmania does not have regulated/standing offers for gas and there is only one market offer available, there are currently three workbooks for this jurisdiction.

⁵ The Victorian workbooks contain regulated/standing offers from July 2008 to July 2021 and market offers from July 2010 to July 2021. The NSW workbooks contain regulated/standing offers from July 2009 to July 2021 and market offers from 2011 and 2021. The Queensland and South Australian workbooks contain regulated/standing offers from July 2009 to July 2021 and market offers from July 2012 to July 2021. The ACT workbooks contain regulated/standing offers from July 2009 to July 2021 and market offers from July 2013 to July 2021. The Tasmanian workbooks contain regulated and market electricity offers from July 2009 to July 2021 and gas market offers from July 2013 to July 2021. From 2016, we have also developed workbooks containing solar offers available to new customers in all of the jurisdictions.

Overview

This report is comprised of five sections.

Section 1 **'How energy prices are tracking'** analyses changes to electricity and gas prices across Australia from July 2009 to July 2021 in order to explore where and when prices have increased or decreased.

The base rates for electricity (standing offers) have decreased in Queensland, New South Wales, South Australia, Victoria and Tasmania compared to last year, whereas the regulated rates have increased slightly in Western Australia and the Northern Territory. In the ACT, on the other hand, the regulated rates increased by 7%. For gas, prices increased in Victoria, NSW, South Australia and Queensland since July 2020 while they have decreased in the ACT and Western Australia. In Tasmania, gas prices have remained unchanged.⁶

Section 2 **'The electricity bill-stack'** focuses on the various cost components of electricity bills (the bill-stack) by exploring the cost of each component for each jurisdiction.

For electricity market offers (including pay on time discounts), we estimate that the retail component is as low as 3% in the ACT and as high as 23% in Victoria's Jemena network. In Victoria the retail component is between 19-23% (depending on network area), in South East Queensland it is 14%, in South Australia it is 15%, in NSW it is 8-13% (depending on network area) while it is 21% in Tasmania. The estimated network component is greatest in NSW's Essential network (55%) and the ACT (50%) while it is lowest in Victoria's Citipower and United Energy networks (33%). The Green scheme component is significantly greater in the ACT (17%) than in the other jurisdictions.

Section 3 **'Solar offers'** compares solar offers available to new customers across the NEM as well as examining the various bill components of solar bills.

Since last year, annual bills for solar customers have decreased the most in the Victoria (\$70 - \$120, depending on network area). In the ACT, on the other hand, solar bills have increased by \$185. Tasmania, NSW and South Australia have all had modest decreases. Compared to non-solar customers, average annual solar customer bills are \$1,090 less than average market offer bills (including discounts) in South Australia. In Tasmania the difference is more modest at \$595. The average FIT credit paid to households has declined in all jurisdictions and particularly in Victoria and the ACT.

Section 4 **'The impact of retail price regulation'** analyses price changes and price dispersion in relation to the regulated offers and market offers as well as price dispersion between the "big 3" retailers.⁷

⁶ Northern Territory is not included in the gas analysis due to low penetration.

⁷ The "big three" retailers are AGL, Energy Australia and Origin Energy

While standing offers, on average, have decreased by 23% in South Australia, 19% in South East Queensland and NSW, and 27% in Victoria after the DMO/VDO took effect in July 2019⁸, the reduction to average market offer bills has been lower. In NSW, the average market offer bill inclusive of discounts has decreased by 13%, in Victoria the decrease is 14%, in South East Queensland and South Australia the average market offers decreased by 17% and 18% respectively. This means that customers previously on highly discounted market offers may not experience the price reduction that standing offer customers have post July 2019.

Importantly, the best value offers in each network area, post July 2021, are market offers and not DMO/VDO offers. It is, however, smaller retailers that offer the best market offers and not the “big three” (AGL, Origin Energy and Energy Australia).

The difference between the “big three” retailers’ offers has decreased since the introduction of the DMO/VDO. As of July 2021, the maximum price-spread (difference to annual bill) is approximately \$55 in Victoria, \$60 in NSW, \$90 in South East Queensland and \$150 in South Australia. The lack of price dispersion between the “big three” retailers highlights the importance of having 2nd tier retailers that can put downward pressure on prices.

Section 5 **‘Price reductions experienced by most consumers’** examines retailers’ market share to explore the actual price reduction experienced by the majority of customers.

There are very few consumers accessing the best market offers. In NSW, we estimate that less than 1% of customers are with the three retailers that offer the best market offers, in South East Queensland 1% are with the three retailers that offer the best market offers, and in South Australia only 0.3% are with the three retailers that offer the best market offers.⁹ In Victoria, the market share is less concentrated and while the majority of customers are with retailers that produce higher than average annual bills, customers are spread across the bill spectrum.

A comparison of the price reduction to the average market offer based on all retailers to the price reduction to the average market offer based on retailers with a significant market share only, shows that the price reductions for the latter group is lower in all jurisdictions and particularly in Queensland and South Australia. The market shares are still very concentrated around a few larger retailers, especially outside Victoria, and that many customers pay more than necessary by not switching to some of these smaller retailers.

⁸ The chart compares average bills (across all retailers/network areas) for household using 6,000 kWh/annum as of July 2021 (September 2021 in Victoria) to bills prior to the DMO and VDO taking effect (billing data collected in January 2019 for Victoria and July 2018 for other jurisdictions)

⁹ The market share is based on AER, Schedule 2 – Q3 2020-21, Retail performance data

An increasing number of retailers are offering an increasing number of offers and there are developments indicating that retailers are applying strategies to make the market unnecessary complex and confusing. At the same time, switching rates are declining in all jurisdictions except the ACT. We are therefore concerned about an increasingly complex and confusing retail market and the decline in switching rates.

Consumers may be less motivated to switch when prices are decreasing instead of increasing, but they are taken on an upward journey when network and/or wholesale costs go up and they should be taken on the downward journey when network and/or wholesale costs go down. The analysis presented in this section indicates that retail customers do not as easily reap the full benefit of declining prices as they do get to feel the full pain of increasing prices.

1. How energy prices are tracking

Key findings:

- The base rates for electricity (standing offers) have decreased in Victoria, Queensland, New South Wales, South Australia and Tasmania compared to last year.¹⁰
- In Victoria electricity prices have decreased by 8%, in Tasmania by 7.1%, in South Australia by 5.9%, in New South Wales by 4.8% and in Queensland by 3.2%. In Western Australia and the Northern Territory, prices increased slightly in July 2021 while the ACT is the only jurisdiction with significant price increases during this period (7.1%).
- From a longer term perspective, compared to 2009 electricity prices have increased by 55% on average, with the ACT and Western Australia experiencing the greatest increases (86% and 83%, respectively).¹¹
- Gas prices have increased in Victoria, NSW, South Australia and Queensland since July 2020 while they have decreased in the ACT and Western Australia. In Tasmania, gas prices have remained unchanged.¹²
- From a longer term perspective, compared to 2009 gas prices have increased by 72% on average, with Victoria experiencing the greatest increases (105%).¹³
- This section analyses changes to electricity and gas prices across Australia from July 2009 to July 2021 in order to explore where and when prices have increased or decreased.¹⁴

1.1 Electricity prices

In comparison to July 2020, regulated standing offer prices (the base-rate) have decreased in Queensland, New South Wales, South Australia, Victoria and Tasmania. The size of the decrease, however, does vary between the jurisdictions. In Victoria, the Victorian Default Offer (VDO) decreased by 8% (on average) between July 2020 and September 2021. In Tasmania the regulated electricity price decreased by 7.1% between July 2020 and July 2021, in South Australia the average Default Market Offer (DMO) decreased by 5.9% over the same period and in NSW and Queensland prices decreased by 4.8% and 3.2% respectively. In Western Australia and the Northern Territory prices increased slightly in July 2021. **The ACT is the only jurisdiction with significant price increases during this period (7.1%).** Chart 1 shows estimated annual bills for households consuming 6,000kWh per annum (single rate) from July 2009 to July 2021.¹⁵ The dotted lines represent electricity bills in the Northern Territory and Western Australia, the two non-NEM jurisdictions.

¹⁰ Based on July 2020 and 2021 in all jurisdictions except Victoria which compares July 2020 to September 2021 (when the latest VDO took effect).

¹¹ These are nominal price increases.

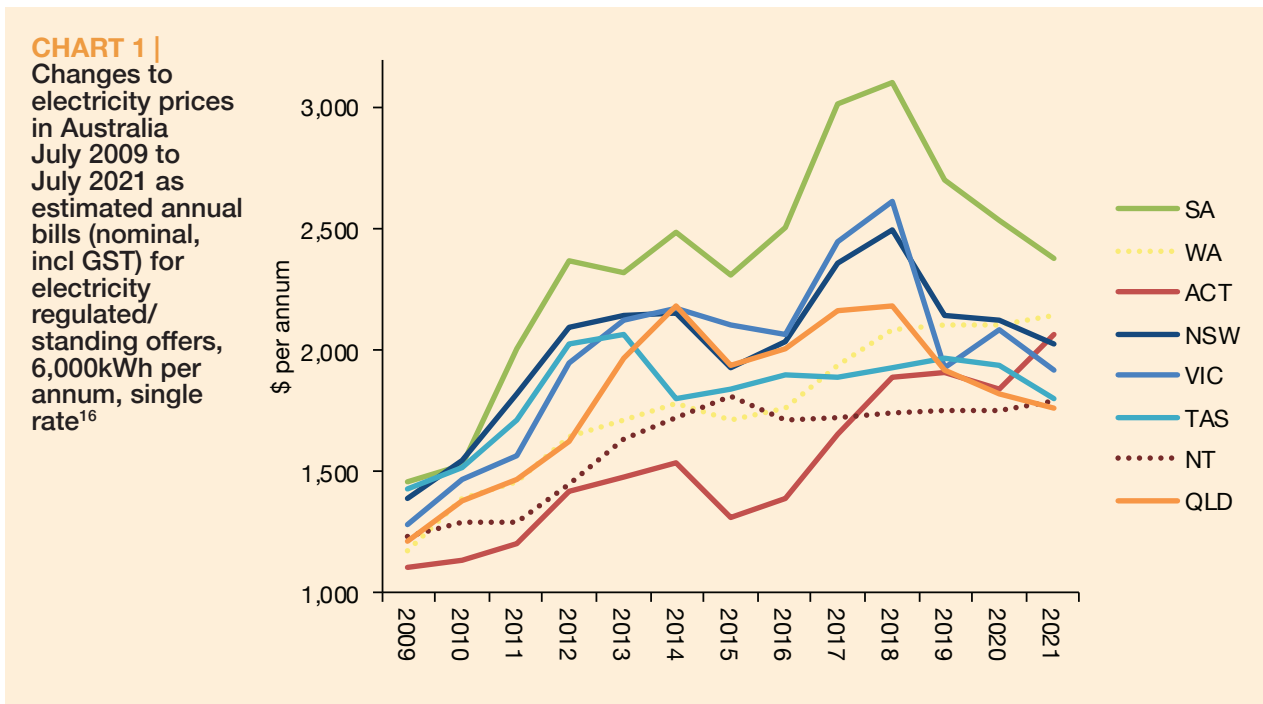
¹² Northern Territory is not included in the gas analysis due to low penetration.

¹³ For Tasmania, the comparison is based on 2018 and 2013 prices. All other jurisdictions are based on prices as of 2009 and 2018. These are nominal price increases.

¹⁴ In Victoria we compare July 2020 to September 2021 (when the latest VDO took effect).

¹⁵ Note that Tasmania introduced carbon exclusive prices from 1 July 2014 (rather than backdating new prices after the repeal) and Tasmania's July 2014 price is therefore carbon exclusive.

Looking at longer-term changes, chart 1 also shows the increasing differences in electricity prices between NEM jurisdictions between 2009 and 2021. While South Australia had the highest prices in both July 2009 and July 2021, the ACT had the lowest (in the NEM) in 2009 and Queensland has the lowest prices (in the NEM) as of July 2021. **The difference between the annual bill for South Australian and ACT households (with this consumption level) was just \$350 in 2009 compared to approximately \$620 difference between South Australia and Queensland in 2021.** That said, the price decreases in South Australia since the introduction of the DMO in July 2019 have significantly narrowed the gap. In July 2018 (prior to the introduction of the DMO) the maximum difference between annual bills in the NEM (South Australia compared to the ACT) was as high as \$1,200.

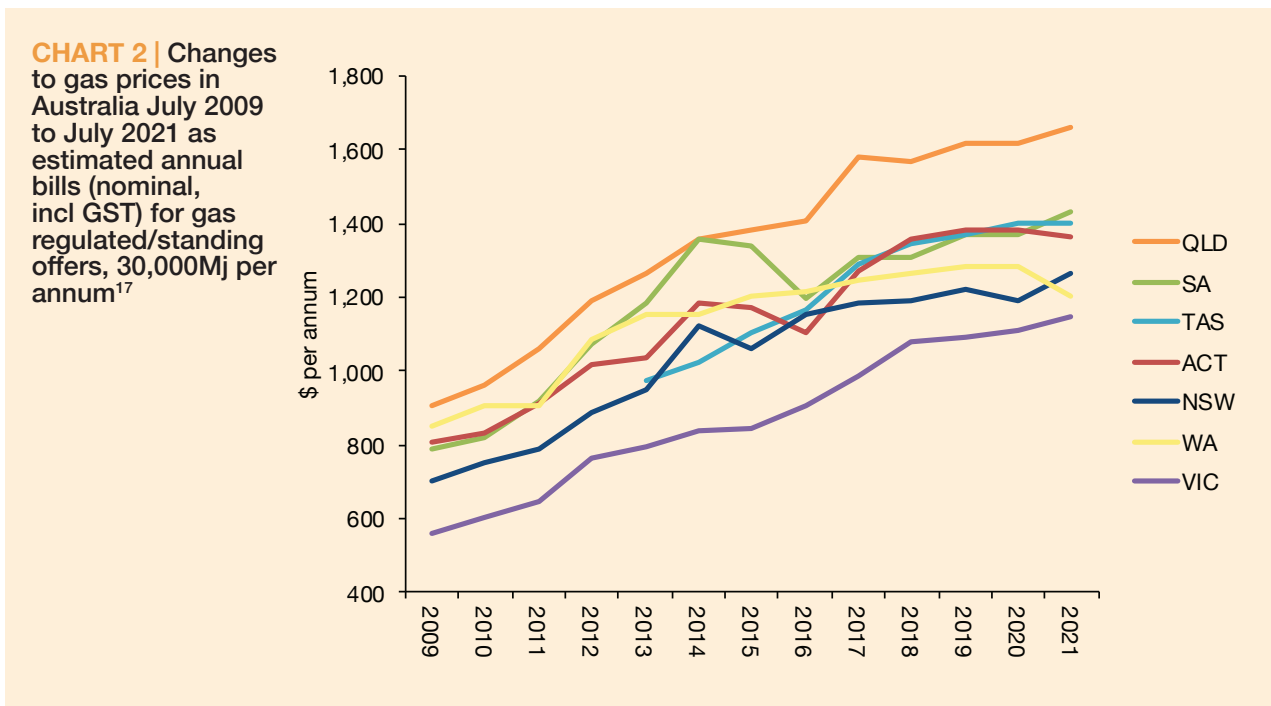


¹⁶ As the prices differ between network areas in NSW and Victoria, the estimated bills in these two states are based on the average across network areas. In NSW, the price is based on the DMO since July 2019 and average standing offer prior to that. In Victoria, the price is based on the VDO since July 2019 and average standing offer prior to that. In South Australia, the price is based on the DMO since July 2019, average retail standing offer from July 2015 to July 2018, and AGL's regulated/standing offer prior to that. In Queensland, the price is based on the DMO since July 2019, the average retail standing offer (Energex network) from July 2016 to 2018, and the regulated/standing offer prior to that. The regulated rate has been used for ACT, Tasmania, Western Australia and the Northern Territory. Note that the transitional tariffs previously available in SA and NSW are not included in this chart.

1.2 Gas prices

Typical household gas consumption varies significantly between jurisdictions. In Victoria, for example, typical household consumption is over 60,000Mj per annum. In Queensland, on the other hand, household consumption is typically less than 10,000Mj per annum. Chart 2 below compares annual gas bills across Australia (except the Northern Territory) from July 2009 to July 2021 for households consuming 30,000Mj per annum. It shows that gas prices are greatest in Queensland and lowest in Victoria. However, if we assume a more representative consumption level for each jurisdiction, Victorians will have greater gas bills than Queenslanders. **Gas prices have increased in Victoria, NSW, South Australia and Queensland since July 2020 while they have decreased in the ACT and Western Australia.** In Tasmania, gas prices have remained unchanged.

Chart 2 also shows that the price difference between the jurisdictions has not increased by much since 2009. Unlike in the case of electricity, the difference between the jurisdiction with the highest annual bill (Queensland) and the jurisdiction with the lowest (Victoria) was \$350 in 2009 and it is currently around \$510 for this consumption level.



¹⁷ In Victoria the standing offer price is based on the incumbents' average retail standing offer across the eight main gas zones. In NSW the standing offer price is based on the regulated retail offer across the eleven gas zones until July 2016. In July 2019, 2020 and 2021, it is based on the incumbent retailer's standing offer in each gas zone. In Queensland it is based on the average AGL and Origin standard retail gas offers in the North Brisbane and South Brisbane gas zones. In South Australia it is based on Origin's regulated/standing offers across five gas zones. In the ACT it is based on ActewAGL's standard gas offer. In Tasmania (data from 2013 to 2021 only) it is based on Aurora and Tas Gas' average standard offer. In Western Australia it is based on the government's price cap for customers in the southwest region.

2. The electricity bill-stack

Electricity bills are made up of several components, including generation (wholesale market) costs, network costs (distribution and transmission), “green schemes” and costs associated with other public policy initiatives, and retail costs. As retail prices were deregulated in Victoria, South Australia, NSW and Queensland until July 2019, effective competition was required to ensure that households did not pay more than necessary for both generation (wholesale) and retail services (including retail margins). With the re-regulation of retail markets in July 2019, however, the regulatory decisions impact on the bill-stack for standing offer (DMO and VDO) while the market offers still reflect the competitive pressures. This section therefore seeks to explore the cost of each component for each jurisdiction, as well as differences between the types of offers/contracts.

As shown by chart 1 above, electricity bills increased significantly from July 2009 to July 2014 (prior to the repeal of the carbon tax) before declining, to various extents, post the repeal and with new network tariffs taking effect in July 2015. In July 2016, 2017 and 2018, however, electricity bills increased in most jurisdictions. **With the introduction of the DMO/VDO in NSW, South East Queensland, South Australia and Victoria in July 2019, however, prices initially decreased significantly in these jurisdictions. In Victoria, prices are currently similar to when the VDO was introduced in July 2019, while they have decreased further in NSW, South East Queensland and South Australia.**

Chart 3 below shows that Network Use of System (NUOS) charges increased in all of the NEM electricity networks between July 2009 and July 2014, before decreasing in most jurisdictions (NSW, Queensland, South Australia and the ACT) in July 2015. In 2016 it also decreased in the Victorian networks and Tasmania, and again (slightly) in South Australia. In 2019, the decreases were significant in NSW’s Ausgrid network. Decreases also occurred in Victoria’s United Energy and Jemena networks, as well as in Tasmania and in NSW’s Endeavour network. In South Australia, however, NUOS charges increased for the third year in a row. In 2020, the NUOS charges increased the most in the Victorian networks while the increases were more modest in NSW, Queensland and the ACT. In South Australia and Tasmania, on the other hand, the NUOS charges decreased. **In 2021, Victoria had the greatest NUOS price decreases while the ACT (EvoEnergy) had a significant price increase.** The increase to NUOS charges in the ACT is largely driven by the ACT Government’s legislation to supply 100% renewable energy in the ACT. EvoEnergy administers this operation on behalf of the ACT Government and associated costs are passed on to consumers through jurisdictional charges that are incorporated into the NUOS.¹⁸ There were also modest increases in NSW’s Essential and Ausgrid networks, TasNetworks and Queensland’s Energex network.

Chart 3 also shows that the NUOS price changes vary significantly between the networks. Households in South Australia (SAPN) and rural NSW (Essential) pay the highest NUOS charges in the NEM. The NUOS charges are lowest in Victoria’s metropolitan Citipower, United Energy and Jemena networks. The difference between NUOS costs in the various networks has slightly decreased since last year. Currently an annual “NUOS bill” for this consumption level is \$510 more in SA Power Networks compared to Citipower. By contrast, the difference was as high as \$987 in 2012.

¹⁸ See <https://www.evoenergy.com.au/residents/pricing-and-tariffs/electricity-network-and-jurisdictional-charges>

CHART 3 | NUOS charges from July 2009 to July 2021 as estimated annual cost (GST exclusive) for households using 6,000kWh per annum, single rate¹⁹

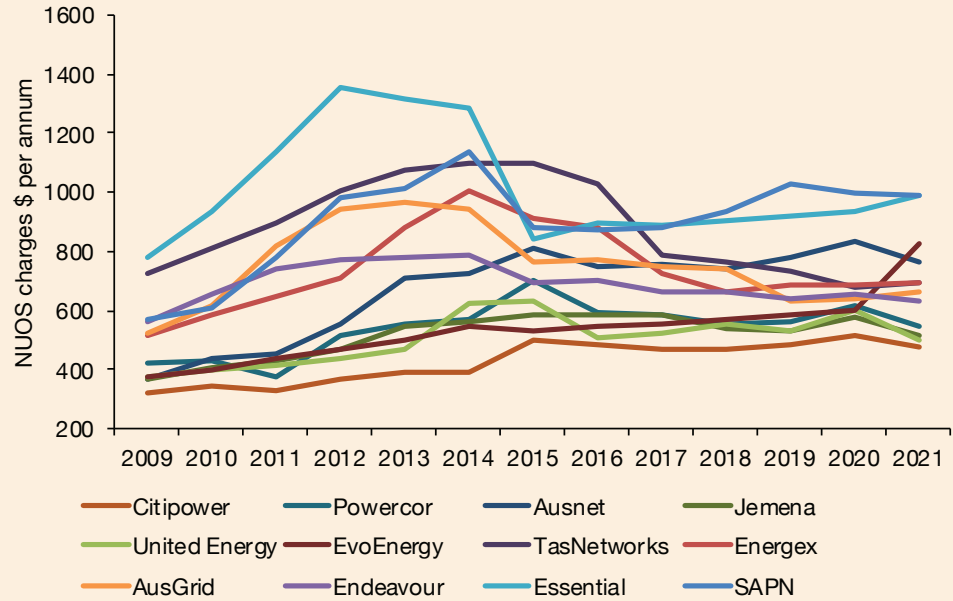


Chart 4 below looks at NUOS charges as a proportion of total bill. It shows that the NUOS proportion of electricity bills is now highest (40% or more) in South Australia (SAPN), in NSW's Essential network and the ACT's EvoEnergy network. Since last year, the NUOS proportion has increased the most in EvoEnergy, TasNetworks and Essential. In Victoria, the NUOS proportion of bills has decreased. **In NSW's Essential network the NUOS accounts for 43% of electricity bills, in South Australia (SAPN) the NUOS accounts for 41% and in the ACT (EvoEnergy) it accounts for 40%. In Melbourne (Citipower, Jemena and United Energy), on the other hand, the NUOS component of bills is as low as 27%.**

¹⁹ The annual NUOS charges have been calculated by allocating 1,500kWh per quarter (again based on annual consumption of 6,000kWh) to the step charges stipulated in the NUOS. The annual NUOS cost also includes fixed charges.

CHART 4 | NUOS charges (excl GST) from July 2009 to July 2021 as proportion (%) of annual retail bill (incl. GST) for electricity selected regulated/standing offers, 6,000kWh per annum, single rate²⁰

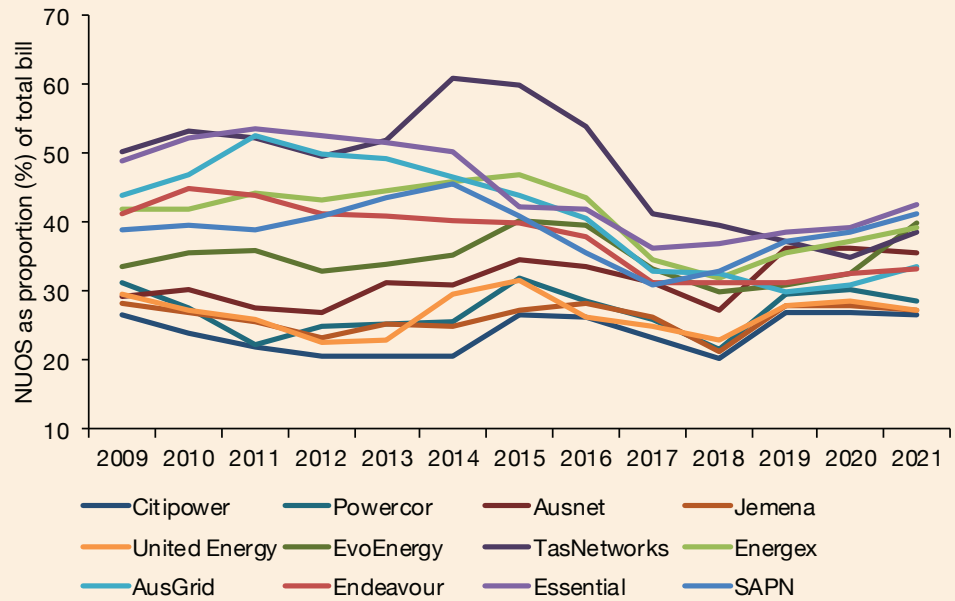
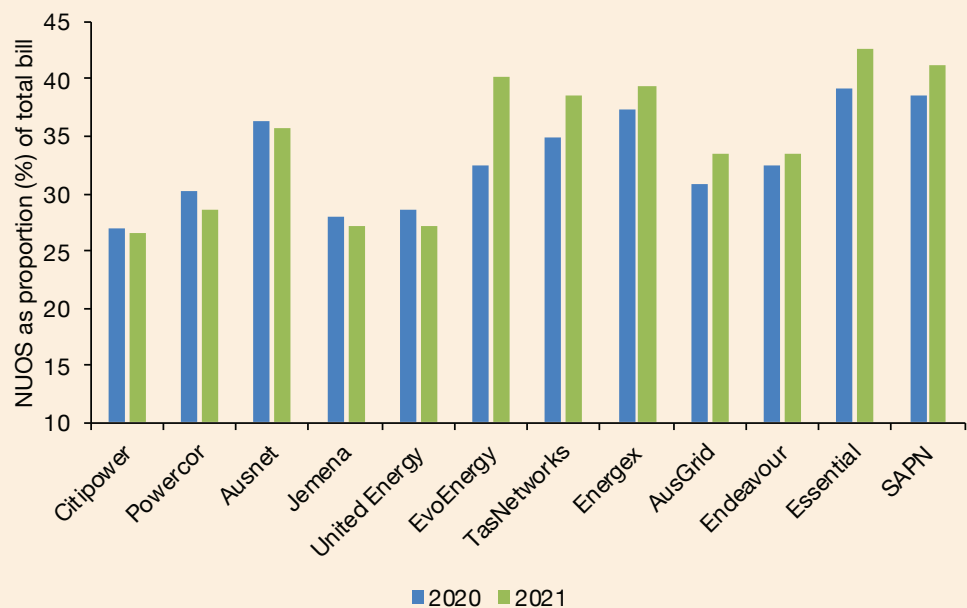


Chart 5 compares the NUOS proportion of bills in July 2020 to July 2021. It shows that the biggest decreases occurred in Victoria (around 1-2%). The largest increase (8%), occurred in the ACT (EvoEnergy).²¹

CHART 5 | NUOS charges (excl GST) from July 2020 and July 2021 as proportion (%) of annual retail bill (incl. GST) for electricity selected regulated/standing offers, 6,000kWh per annum, single rate²²



²⁰ In Victoria the standing offer bill is based on the average incumbent (AGL, Origin and Energy Australia) standing offer as of July every year and the VDO since July 2019. In NSW the retail bill is based on the regulated rate from 2009 to 2013 and the incumbent retailer’s standing offer in each of the network areas (Origin or Energy Australia) since July 2014. In South Australia the retail bills are based on the regulated rates as well as AGL’s standing offer post retail deregulation. In Queensland the retail bills are based on the regulated rates as well as AGL and Origin’s average standing offer post retail deregulation (July 2016). In all other jurisdictions the retail bills are based on the regulated rates.

²¹ The significant increase to NUOS charges in the ACT is largely driven by the ACT Government’s legislation to supply 100% renewable energy in the ACT. EvoEnergy administers this operation on behalf of the ACT Government and associated costs are passed on to consumers through jurisdictional charges (JS) that are incorporated into the NUOS. Note that the Victorian retail offers are from September 2021.

²² Ibid.

In order to examine what households actually pay for the various goods, services and policies that are costed by the supply chain and passed on to consumers in a retail bill, we deduct estimated cost components from the average annual retail bill for households using 6,000kWh per annum post July 2021.²³

While we do not know exactly what retailers pay for wholesale energy we have relied on the AEMC’s 2020 annual price trend report and based the wholesale cost component on their 2020/21 and 2021/22 numbers.²⁴

TABLE 1 | Estimated electricity wholesale costs (\$/MWh)

| | 2020/21 \$/MWh | 2021/22 \$/MWh | Average (rounded) |
|------------------------|----------------|----------------|-------------------|
| ACT | 90.7 | 76.1 | 83 |
| NSW | 92.7 | 80 | 86 |
| Queensland | 74.8 | 61 | 68 |
| South Australia | 114.4 | 88.9 | 102 |
| Tasmania | 84.7 | 70.8 | 78 |
| Victoria | 101.2 | 72.9 | 87 |

The AEMC’s Residential Electricity Price Trends report have also been used as a source to estimate “green scheme” costs.²⁵ Table 2 below shows the cost of “green schemes” used for this analysis.

TABLE 2 | Estimated “Green scheme” costs (c/kWh)

| | 2020/21 c/kWh | 2021/22 c/kWh | Average |
|------------------------|---------------|---------------|---------|
| ACT | 4.23 | 4.81 | 4.52 |
| NSW | 2.28 | 2.14 | 2.21 |
| Queensland | 2.66 | 1.48 | 2.07 |
| South Australia | 3.46 | 3.32 | 3.39 |
| Tasmania | 2.25 | 2.08 | 2.17 |
| Victoria | 2.37 | 2.27 | 2.32 |

²³ Analysis based on September 2021 in Victoria and July 2021 in all other jurisdictions.

²⁴ Based on AEMC, 2020 Residential Electricity Price Trends data (EPR0064), Data available at <https://www.aemc.gov.au/news-centre/data-portal/price-trends-2020>.

²⁵ See AEMC, 2020 Residential Electricity Price Trends data (EPR0064).

In order to examine what households actually pay for the various services (and policies) that are costed by the supply chain and passed on to consumers in the form of a retail bill, tables 3 and 4 below estimate the retail component of bills for standing offer customers and market offer customers. Both tables are based on households consuming 6,000 kWh per annum at a single rate tariff.

By deducting GST, NUOS costs, wholesale costs and the cost of environmental policies (“green schemes”), the residual retail component of a residential standing offer bill (final column) is as low as \$275 (in the ACT’s EvoEnergy network) and as high as \$537 (in Victoria’s Jemena network).²⁶

TABLE 3 | Deduction of bill components for regulated/standing offers, average annual bill based on offers taking effect post July 2021 (6,000kWh per annum, single rate)²⁷

| | Retail bill incl. GST [^] | Retail bill excl. GST | Retail bill excl. GST and NUOS [*] | Retail bill excl. GST, NUOS and wholesale ^{^^} | Retail bill excl. GST, NUOS, wholesale and “green scheme” costs ^{**} |
|--------------------|------------------------------------|-----------------------|---|---|---|
| Citipower | 1,799 | 1,636 | 1,158 | 636 | 496 |
| Powercor | 1,904 | 1,731 | 1,187 | 665 | 526 |
| Ausnet | 2,152 | 1,956 | 1,189 | 666 | 527 |
| Jemena | 1,884 | 1,713 | 1,199 | 677 | 537 |
| UE | 1,836 | 1,669 | 1,169 | 647 | 508 |
| EvoEnergy | 2,061 | 1,874 | 1,046 | 546 | 275 |
| Tasnetworks | 1,804 | 1,640 | 945 | 478 | 348 |
| Energex | 1,767 | 1,606 | 911 | 504 | 380 |
| Ausgrid | 1,969 | 1,790 | 1,129 | 611 | 478 |
| Endeavour | 1,894 | 1,722 | 1,088 | 570 | 438 |
| Essential | 2,310 | 2,100 | 1,114 | 595 | 463 |
| SAPN | 2,393 | 2,175 | 1,188 | 578 | 375 |

[^] As per chart 4 above

^{*} As per chart 3 above

^{^^} As per table 1 above

^{**} As per table 2 above

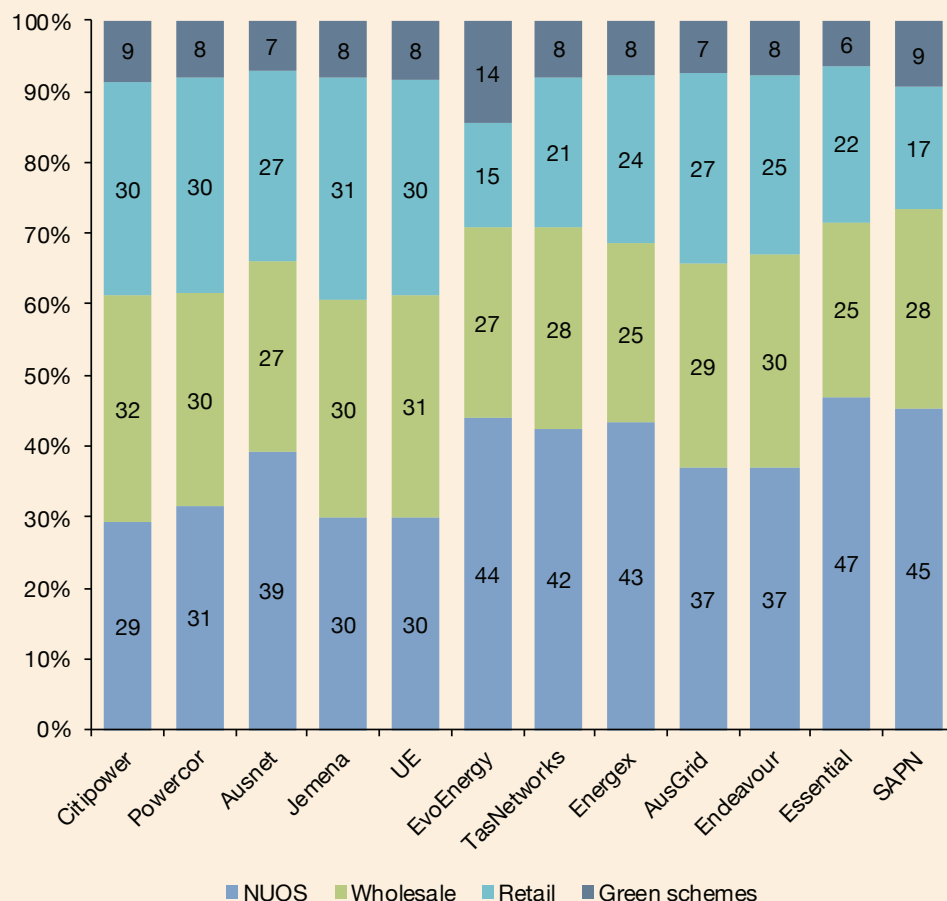
Chart 6 below is based on the same calculations presented in table 3 above but shows the various bill components as a percentage of the total bill. **Our estimates show that between 15-31% of the bills paid by households goes to the retailer, which is slightly higher compared to last year.**²⁸ The retail component is now proportionally higher than the network charges (NUOS) in two of Victoria’s network areas (Citipower and Jemena). In other jurisdictions the NUOS makes up a much larger proportion of bills than the retail component. **The ACT (EvoEnergy) has the highest “green scheme” costs, accounting for 14% of the total bill.**

²⁶ Note that other charges such as separate metering costs, market fees and ancillary service fees as well as losses have not been accounted for in this bill-stack.

²⁷ This table is based on the same offers used for July 2021 in chart 4 above.

²⁸ Cost of retail includes both retail costs and margins (profits) and we stress that some of the cost components are based on estimates rather than actual known costs.

CHART 6 |
Estimated bill-stack for selected regulated/standing offers, average annual bill based on the offers taking effect post July 2021 (6,000kWh per annum, single rate, excluding GST)²⁹



As the calculations for the charts above are based on standing and/or regulated prices, a bill-stack analysis for market offers is included below. A longstanding feature of market offers in the NEM retail markets has been to offer a discount on the published rates. After the introduction of the DMO/VDO, however, the number of offers with additional discounts, and especially conditional pay on time discounts, have reduced significantly. Instead, many retailers now apply different base rates to their market offers.

Table 4 below deducts estimated cost components from the annual retail market offer bill (including pay on time discounts) for households using 6,000kWh per annum post July 2021.30 After deducting GST, NUOS costs, wholesale costs, the cost of environmental policies (“green schemes”), amounts in the final column are as low as \$45 in the ACT (EvoEnergy) and as high as \$350 in Victoria’s Jemena network.31 This indicates that the retail costs/margins are lower for market offer customers in the ACT compared to other jurisdictions. By comparing these figures to the regulated/standing offers examined in table 3 above, we can see that **the retail component of bills is significantly lower for regulated/standing offers compared to market offers.**

²⁹ This chart is based on the calculation used for table 3 above

³⁰ These market offers were collected in mid-September 2021 in Victoria and mid-July 2021 in other jurisdictions.

³¹ Note that other charges such as market fees and ancillary service fees as well as losses have not been accounted for in this bill-stack.

TABLE 4 | Deduction of bill components for selected market offers (including pay on time discounts), average annual bill based on offers taking effect post July 2021 (6,000kWh per annum, single rate)

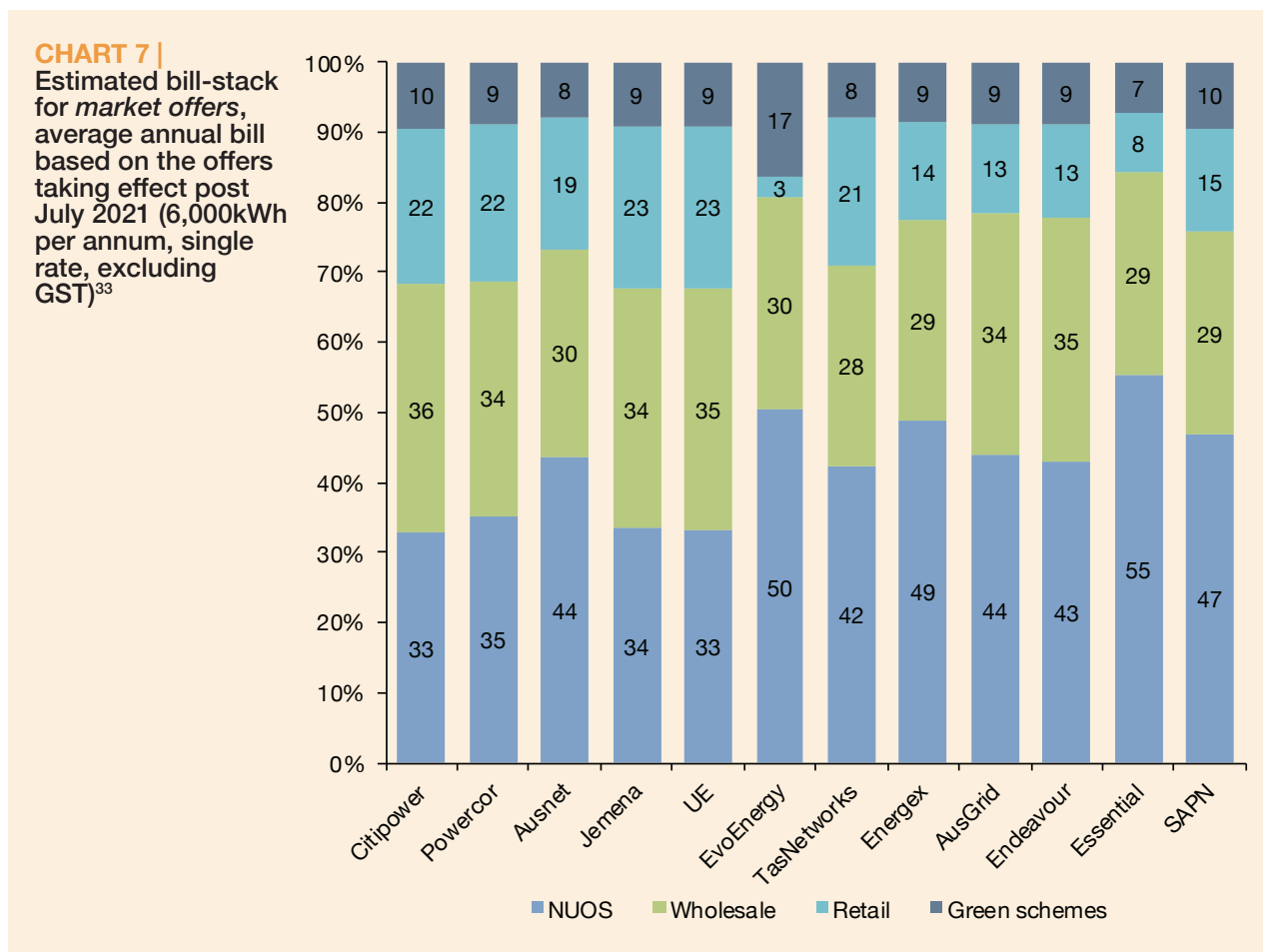
| | Retail bill incl. GST [^] | Retail bill excl. GST | Retail bill excl. GST and NUOS | Retail bill excl. GST, NUOS and wholesale [*] | Retail bill excl. GST, NUOS, wholesale and “green scheme” costs ^{**} |
|--------------------|------------------------------------|-----------------------|--------------------------------|--|---|
| Citipower | 1,607 | 1,461 | 983 | 461 | 321 |
| Powercor | 1,705 | 1,550 | 1,006 | 484 | 344 |
| Ausnet | 1,935 | 1,759 | 992 | 470 | 331 |
| Jemena | 1,686 | 1,533 | 1,019 | 497 | 358 |
| UE | 1,659 | 1,508 | 1,008 | 486 | 347 |
| EvoEnergy | 1,808 | 1,644 | 817 | 316 | 45 |
| Tasnetworks | 1,804 | 1,640 | 945 | 478 | 348 |
| Energex | 1,566 | 1,424 | 728 | 321 | 197 |
| Ausgrid | 1,654 | 1,504 | 843 | 325 | 192 |
| Endeavour | 1,629 | 1,481 | 847 | 329 | 196 |
| Essential | 1,963 | 1,785 | 799 | 280 | 148 |
| SAPN | 2,319 | 2,108 | 1,121 | 511 | 308 |

[^] Based on market offers available post July 2021 (including guaranteed and pay on time discounts) offered by the same retailers included in the analysis of standing/regulated offers (table 3)

^{*}As per table 1 above.

^{**}As per table 2 above

Chart 7 below is based on the same calculations presented in table 4 above but shows the various bill components as a percentage of the total bill. Chart 7 shows that the retail proportion of bills is smaller for market offers compared to standing/regulated offers in all jurisdictions except Tasmania (charts 6 compared to chart 7). Again, we note that some of the cost components are based on estimates rather than actual, known costs.³²



³² Cost of retail includes both retail costs and margins (profits).

³³ This chart is based on the calculation used for table 4 above

3. Solar offers

This year was the sixth year the Tariff-Tracking project covered offers available to solar customers and compared offers based on both electricity bought and feed-in-tariff (FIT) rates for electricity sold. The online workbooks allow users to compare offers for 3 kW and 1.5 kW capacity systems, based on nominated consumption levels and location (network and urban or non-urban setting).³⁴ The analysis presented below is based on 3 kW systems in urban locations and the assumptions applied are shown in table 5.

TABLE 5 | Assumptions: Generation capacity and export (%) in capital cities, 3 kW systems³⁵

| Capital cities | Annual generation per kW installed | Export rates (%) |
|----------------|------------------------------------|------------------|
| Adelaide | 1.680 MWh | 51.8% |
| Brisbane | 1.736 MWh | 53.4% |
| Melbourne | 1.539 MWh | 47.4% |
| Hobart | 1.185 MWh | 47.4% |
| Canberra | 1.801 MWh | 55.1% |
| Sydney | 1.614 MWh | 49.9% |

Chart 8 shows average annual bills for solar customers (3 kW systems installed) in metropolitan areas using 6,000 kWh (imported as well as generated) per annum.³⁶ It shows that the average annual bills (calculations based on all retailers' solar market offers) are significantly lower than those for non-solar standing and market offer customers analysed in section 1 and 2 above.

³⁴ We note that these systems are small compared to the size of the typical systems that are currently being installed. However, as a key objective of the Tariff-Tracker is to compare developments over time, we continue to base the analysis on 3 kW and 1.5 kW systems.

³⁵ The Tasmanian 1.185 MWh generation capacity is based on small-scale technology certificates (STC) for zone 4. The Export rate is based on Melbourne assumptions and may therefore be slightly higher than the Tasmanian average. The Canberra assumptions are based on non-metropolitan NSW rates and will therefore be somewhat high for ACT housing experiencing overshadowing.

³⁶ Based on average market offer (all retailers) including guaranteed discounts, pay on time discounts, FIT credits and GST. NSW's Essential network is not included as it covers rural NSW only.

CHART 8 | Annual retail bills for solar customers post July 2021, inclusive of pay on time discounts and FIT credits (6,000kWh per annum, single rate, GST incl)

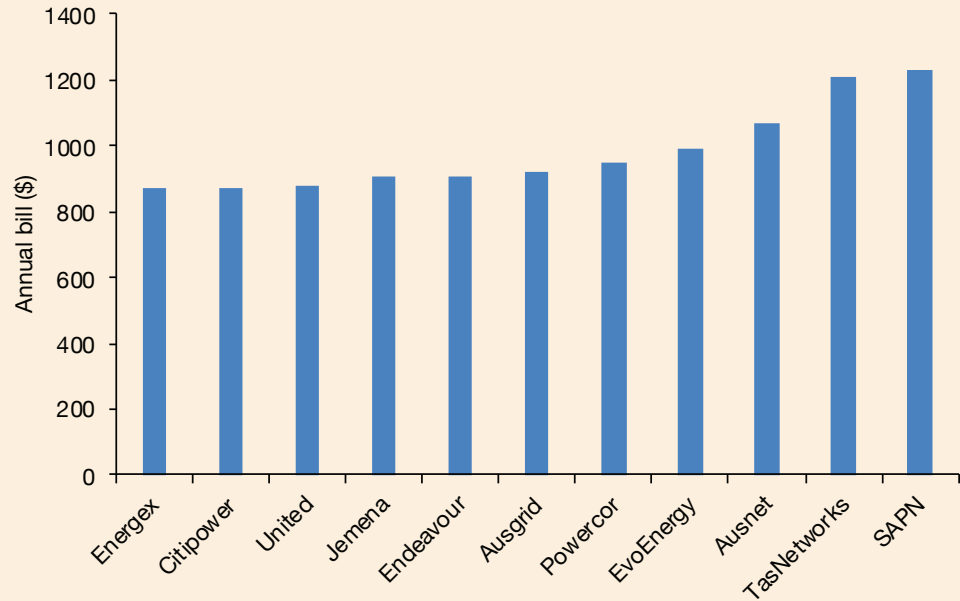
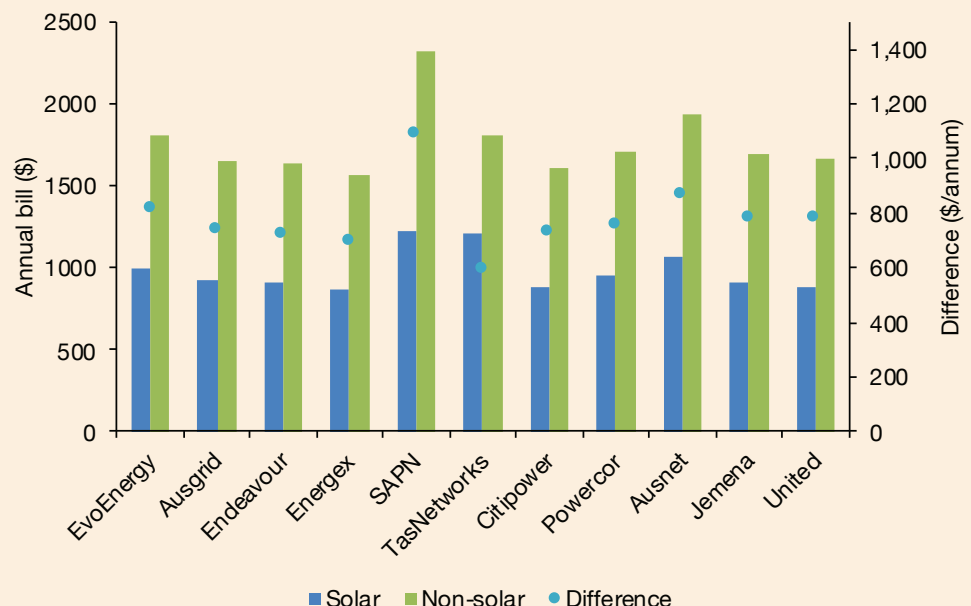


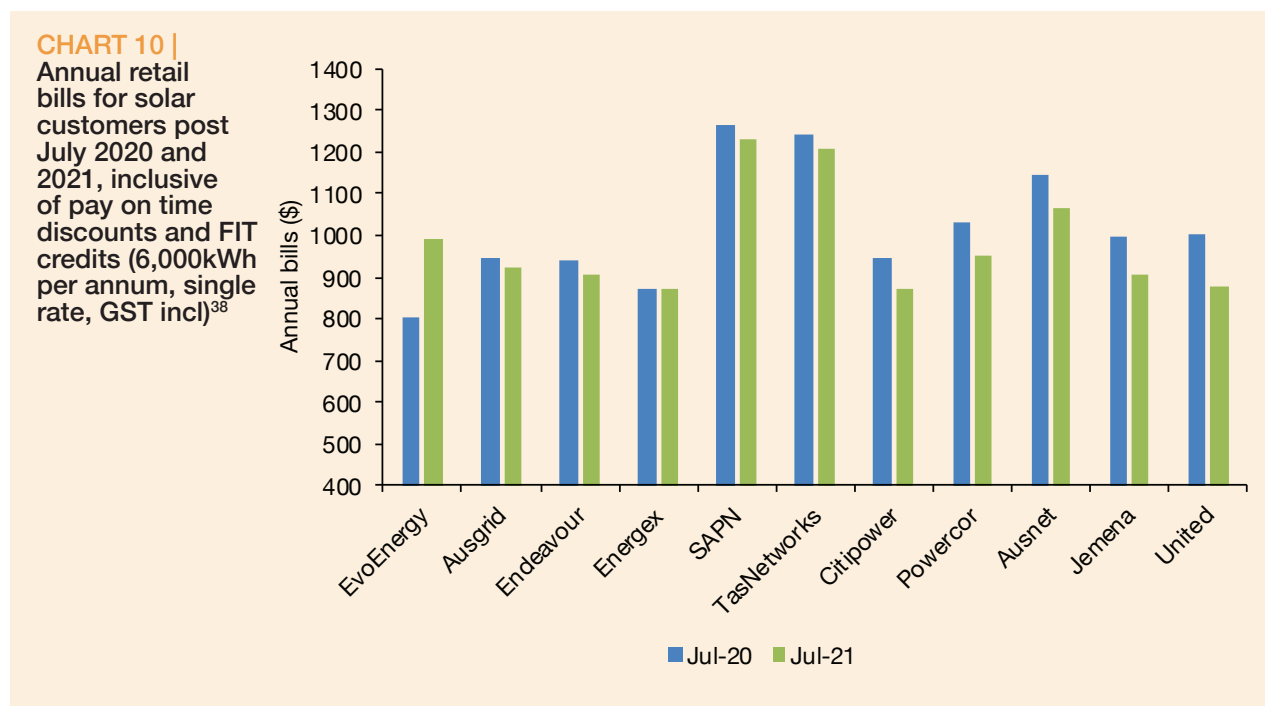
Chart 9 compares annual bills for non-solar customers and solar customers. It shows that the greatest bill difference is in South Australia (\$1,090) while the smallest difference is in Tasmania (\$595). **The difference between solar and non-solar bills have become smaller in many networks over the last couple of years. In July 2019 the average difference (across all network areas) between solar and non-solar bills was \$900, in July 2020 the average difference was reduced to \$860 and post July 2021 the average difference is \$780.**

CHART 9 | Annual retail bills for non-solar customers and solar customers post July 2021, inclusive of pay on time discounts and FIT credits (6,000kWh per annum, single rate, GST incl)³⁷



³⁷ The average market and solar offer bills in this chart are based on all retailers with an offer in each network area. In section 2 above, on the other hand, market offers were based on selected retailers in order to compare against relevant regulated/standing offers.

Chart 10 below compares solar bills as of July 2020 to bills post July 2021. It shows that the annual bills for solar customers in Victoria have decreased by approximately \$70 - \$120 per annum (depending on network area). In the ACT (EvoEnergy), on the other hand, solar bills have increased by \$185. Tasmania (TasNetworks), NSW (Ausgrid and Endeavour) and South Australia (SAPN) have all had modest decreases.



The average FIT credit paid to households has declined in all jurisdictions and particularly in Victoria (31%) and the ACT (29%). Table 6 below shows average FIT credit as of post July 2020 and post July 2021 as well as percentage change, for households using 6,000 kWh/annum and with a 3 kW system installed.

TABLE 6 | Annual average FIT credit, market offers post July 2020 and July 2021, 6,000kWh per annum, 3 kW system, single rate

| Jurisdiction | Average annual FIT credit (\$) post July 2020 | Average annual FIT credit (\$) post July 2021 | % change |
|-----------------|---|---|----------|
| South Australia | \$279 | \$221 | -21% |
| ACT | \$307 | \$219 | -29% |
| New South Wales | \$266 | \$205 | -24% |
| Queensland | \$242 | \$201 | -15% |
| Victoria | \$252 | \$174 | -31% |
| Tasmania | \$185 | \$144 | -22% |

³⁸ Based on average market offer (all retailers) including guaranteed discounts, pay on time discounts, FIT credits and GST for metropolitan customers with 3 kW systems. NSW's Essential network is not included as it covers rural NSW only.

Table 7 below deducts estimated cost components from the annual retail market offer bill (including pay on time discounts) for households with 3kW systems installed and using 6,000kWh per annum post July 2021.³⁹ After deducting GST, NUOS costs, wholesale costs and the cost of environmental policies (“green schemes”), amounts in the final column are negative in all network areas except Victoria (Citipower, Powercor, Ausnet, Jemena and United Energy) and Tasmania (Tasnetworks).⁴⁰

A comparison of the residual amount for non-solar households to solar households, indicates that there is a significant cross subsidy in the retail component from non-solar households to solar households.

TABLE 7 | Deduction of bill components selected solar offers (including pay on time discounts and FIT rates), annual bill based on offers taking effect post July 2021 (6,000kWh per annum, 3 kW system, single rate)⁴¹

| | Retail bill incl. GST [^] | Retail bill excl. GST | Retail bill excl. GST and NUOS | Retail bill excl. GST, NUOS and whole-sale [*] | Retail bill excl. GST, NUOS, wholesale and “green scheme” costs ^{**} |
|--------------------|------------------------------------|-----------------------|--------------------------------|---|---|
| Citipower | 928 | 843 | 523 | 212 | 130 |
| Powercor | 1003 | 912 | 532 | 222 | 139 |
| Ausnet | 1113 | 1012 | 530 | 220 | 137 |
| Jemena | 966 | 878 | 545 | 234 | 152 |
| UE | 930 | 845 | 532 | 221 | 138 |
| EvoEnergy | 986 | 896 | 354 | 58 | -104 |
| Tasnetworks | 1222 | 1111 | 572 | 151 | 61 |
| Energex | 796 | 723 | 234 | -9 | -83 |
| Ausgrid | 842 | 765 | 314 | 7 | -72 |
| Endeavour | 891 | 810 | 372 | 65 | -14 |
| SAPN | 1110 | 1009 | 349 | -16 | -137 |

[^] Based on solar offers available post July 2021 (including guaranteed and pay on time discounts) offered by the same retailers included in the analysis of standing/regulated offers (table 3) and market offers (table 4)

^{*}As per table 1 above.

^{**}As per table 2 above

³⁹ These market offers were collected in mid-September 2021 for Victoria and mid-July 2021 for all other jurisdictions.

⁴⁰ Note that other charges such as separate metering fees, market fees and ancillary service fees as well as losses have not been accounted for in this bill-stack.

⁴¹ Note that the cost of the smart meter rollout is not accounted for in the NUOS charges due to the AMI Cost Recovery Order-In-Council that ensures that the distributors are able to recover expenditure associated with the AMI program from consumers on a cost pass-through basis.

4. The impact of retail price regulation

The re-regulation of the retail markets in NSW, South East Queensland, South Australia and Victoria in July 2019 had an immediate impact on prices, price dispersion and market offer features such as discounting. This section looks at price changes and price dispersion in relation to the regulated offers and market offers as well as price dispersion between the “big three” retailers.⁴²

4.1 Price changes and dispersion – regulated vs. market offers

This section compares the regulated DMO/VDO bills to market offer bills including discounts (guaranteed and pay on time discounts). It also shows changes to standing and market offers as the new regulations took effect.

Chart 11 below shows that **standing offers, on average, have decreased by 23% in South Australia, 19% in South East Queensland and NSW, and 27% in Victoria after the DMO/VDO took effect in July 2019.**⁴³ The reduction to average market offer bills, however, has been lower. In Victoria, the average market offer bill inclusive of guaranteed and conditional pay on time discounts has decreased by 14% (compared to 23% for standing offers). This means that customers previously on highly discounted market offers may not experience the price reduction that standing offer customers have post July 2019. In NSW the average market offer bill has reduced by 13% and in South Australia the reduction is 18%. South East Queensland is the jurisdiction where the difference between standing offers and market offers price reduction is lowest. The average market offer in South East Queensland has reduced by 17% (compared to 19% for standing offers).



⁴² The “big three” retailers are AGL, Energy Australia and Origin Energy

⁴³ The chart compares average bills (across all retailers/network areas) for household using 6,000 kWh/annum as of July 2021 (September 2021 in Victoria) to bills prior to the DMO and VDO taking effect (billing data collected in January 2019 for Victoria and July 2018 for other jurisdictions)

In NSW, the average DMO bill for households using 6,000 kWh per annum is currently 16-21% less (depending on network area) than the average standing offer bill in July 2018. **For market offers inclusive of discounts, however, the average bill has decreased by 15% in Ausgrid, 14% in Endeavour and 9% in Essential.** See charts 12 - 14.

CHART 12 | NSW (Ausgrid), change (\$) to average standing offer/DMO/VDO bills and market offer bills (guaranteed and conditional pay on time discounts) as of July 2021 compared to bills prior to new regulation taking effect (July 2018). Bill calculations based on 6,000kWh per annum, single rate, GST incl

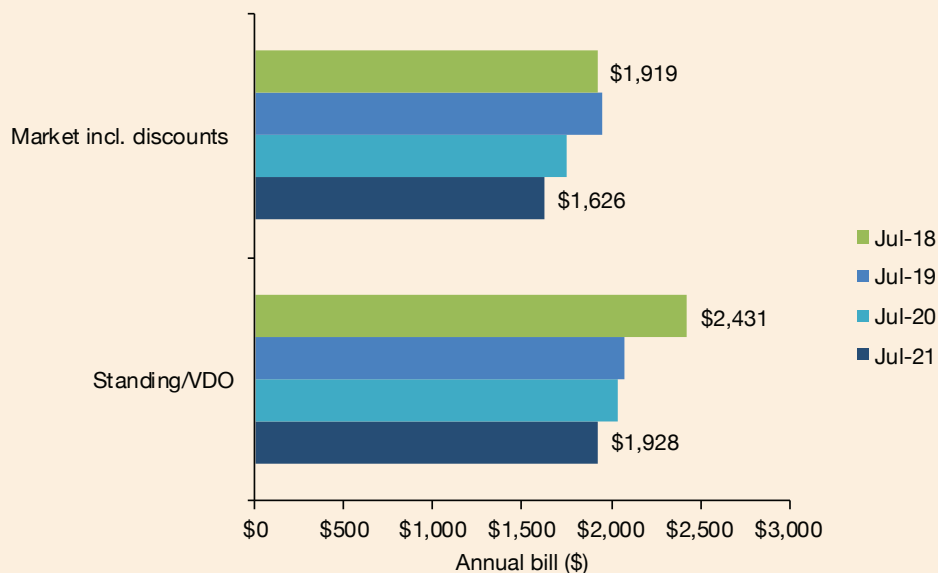


CHART 13 | NSW (Endeavour), change (\$) to average standing offer/DMO/VDO bills and market offer bills (guaranteed and conditional pay on time discounts) as of July 2021 compared to bills prior to new regulation taking effect (July 2018). Bill calculations based on 6,000kWh per annum, single rate, GST incl

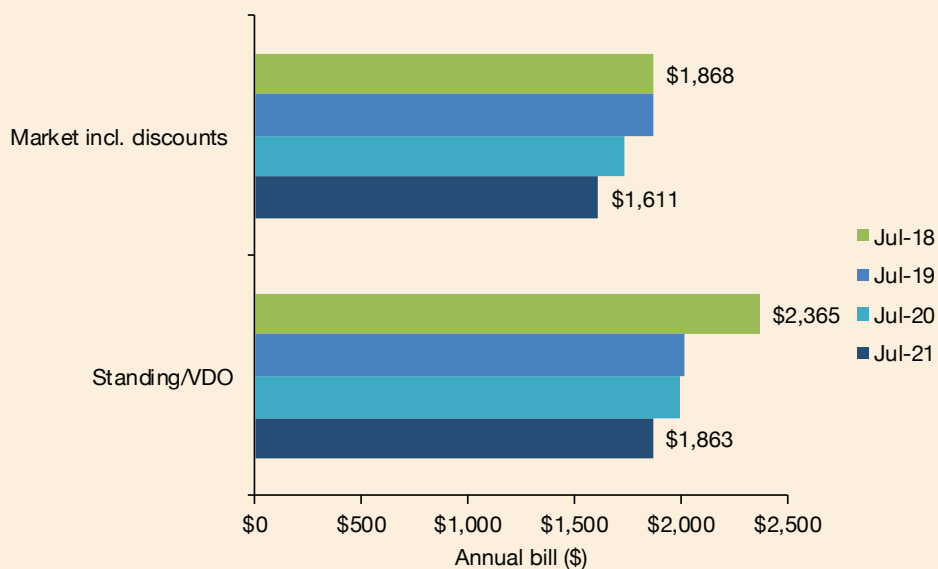
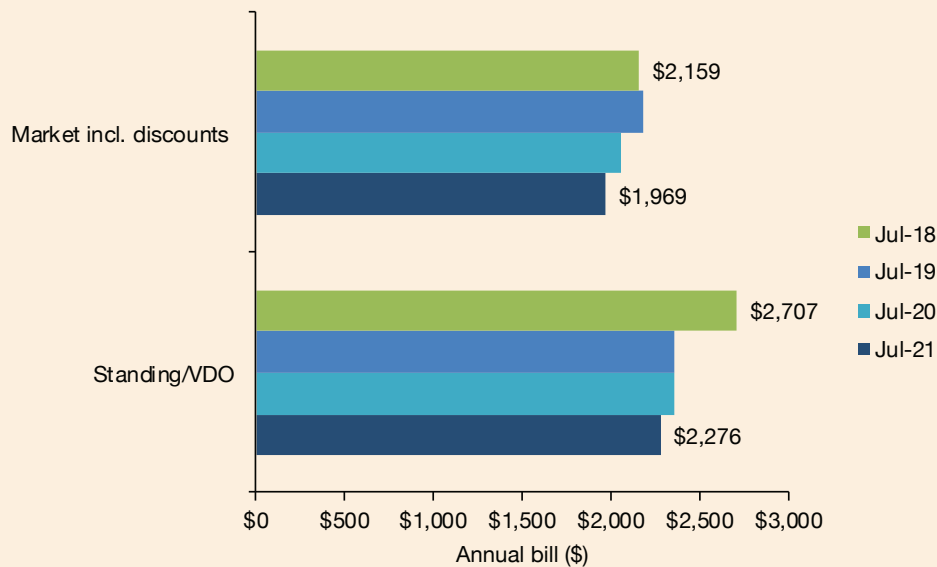


CHART 14 | NSW (Essential), change (\$) to average standing offer/ DMO/VDO bills and market offer bills (guaranteed and conditional pay on time discounts) as of July 2021 compared to bills prior to new regulation taking effect (July 2018). Bill calculations based on 6,000kWh per annum, single rate, GST incl



Charts 15 - 17 below show standing offers as of July 2018, DMO offers as of July 2021 and market offers inclusive of discounts (guaranteed and pay on time) as of July 2021 for each network area. They show that almost all of the current DMO offers produce annual bills that are lower than the best standing offers **as of July 2018. Furthermore, they show that as of July 2021, the best value offers in each network area are market offers and not DMO offers.** That said, some market offers produce higher bills than the best DMO in each of the network areas. In Ausgrid, households on the worst market offer would be \$235 per annum better off on the best DMO, in Endeavour they would be \$320 better off and in the Essential network, the difference between the worst market offer and the best DMO is \$340. Furthermore, they show that it is not the “big three” retailers that offer the best market offers. In chart 15 below AGL’s market offer is represented by the blue triangle, Origin’s the red diamond and Energy Australia’s the green square. In Ausgrid (chart 15), for example, **the best market offer produces an annual bill that is almost \$110 less than the best offer by any of the “big three” (AGL).**

CHART 15 | NSW (Ausgrid), Annual standing offer bills as of July 2018, annual DMO bills as of July 2021, annual market offer bills (guaranteed and conditional pay on time discounts) as of July 2021. Offers shown from lowest to highest for each category. Bill calculations based on 6,000kWh per annum, single rate, GST incl

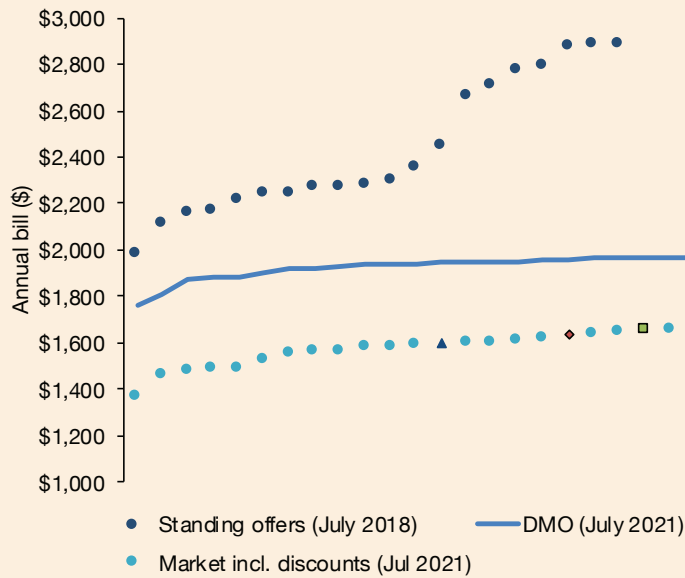


CHART 16 | NSW (Endeavour), Annual standing offer bills as of July 2018, annual DMO bills as of July 2021, annual market offer bills (guaranteed and conditional pay on time discounts) as of July 2021. Offers shown from lowest to highest for each category. Bill calculations based on 6,000kWh per annum, single rate, GST incl

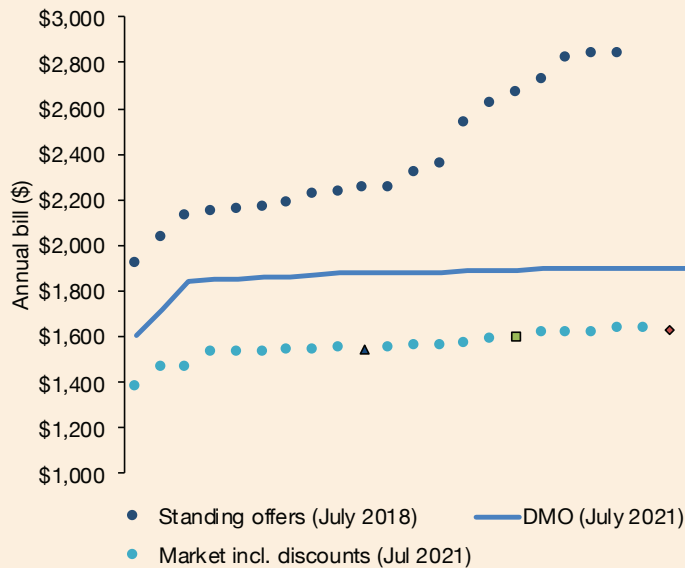
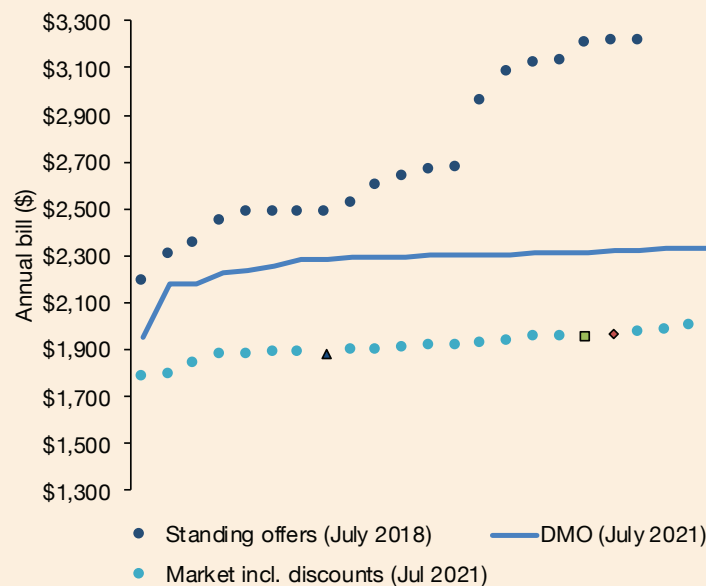


CHART 17 | NSW (Essential), Annual standing offer bills as of July 2018, annual DMO bills as of July 2021, annual market offer bills (guaranteed and conditional pay on time discounts) as of July 2021. Offers shown from lowest to highest for each category. Bill calculations based on 6,000kWh per annum, single rate, GST incl



In Queensland’s Energex network, the average DMO bill for households using 6,000 kWh per annum is 19% less than the average standing offer bill in July 2018. For market offers (inclusive of guaranteed and pay on time discounts), the average bill reduction is somewhat lower (17%). See chart 18.

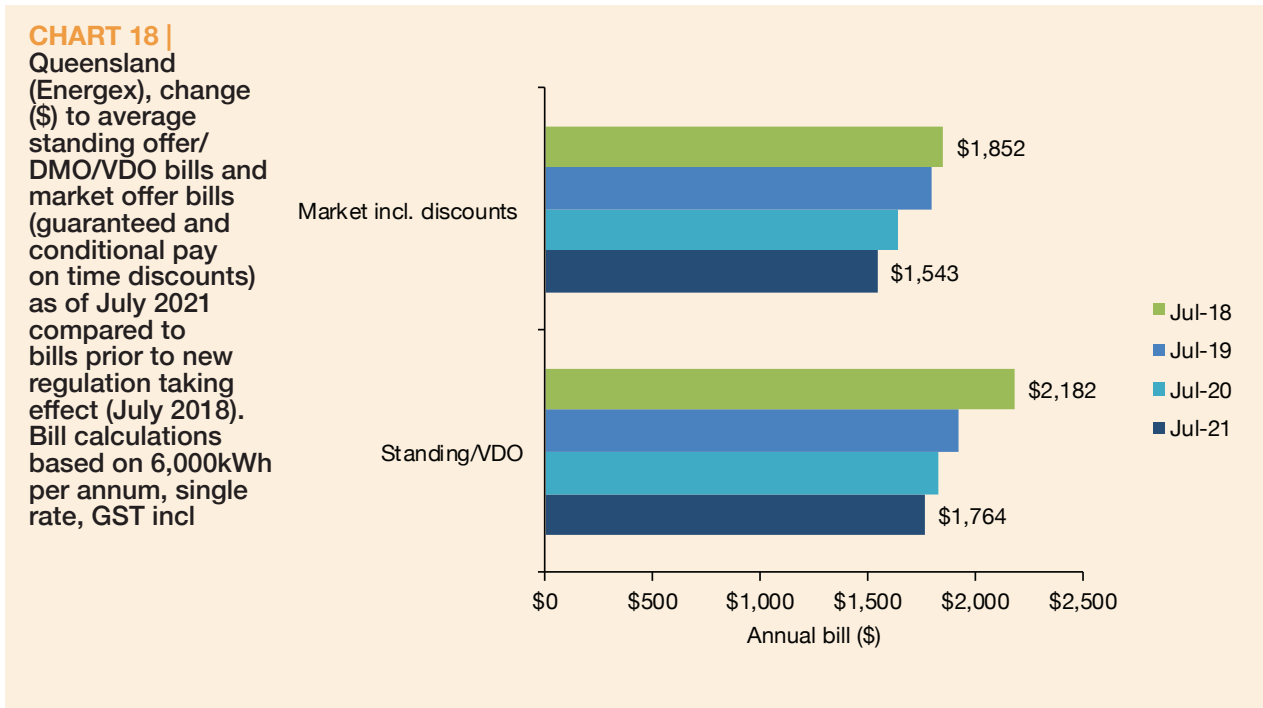
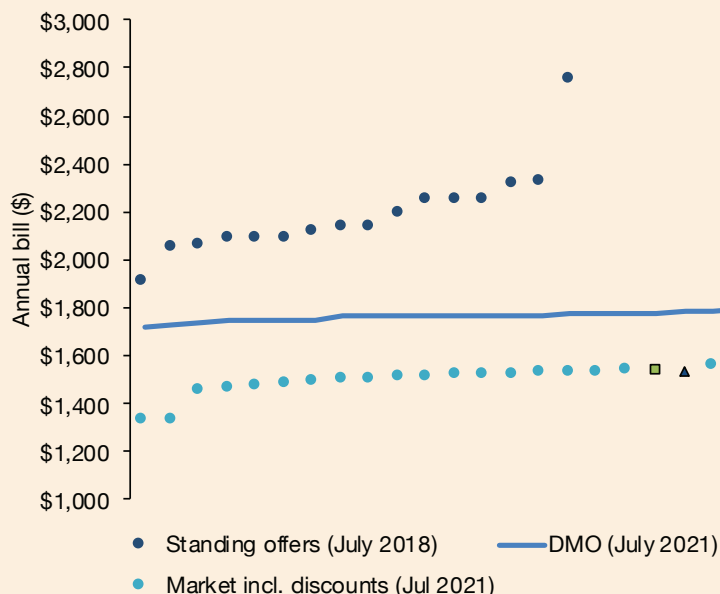


Chart 19 below shows that all but one of the current DMO offers produce annual bills that are lower than the best standing offers as of July 2018. Furthermore, it shows that as of July 2021, the best value offers in each network area are market offers and not DMO offers. However, as in NSW, some market offers produce bills that are higher than the best DMO. Households on the worst market offer would be \$90 per annum better off on the best DMO. **We note that the price dispersion is significantly lower for the current DMO compared to standing offers as of July 2018 (prior to the DMO taking effect).** Furthermore, it shows that it is not the “big three” retailers that offer the best market offers. In chart 19 below AGL’s market offer is represented by the blue triangle, Origin’s by the red diamond and Energy Australia’s by the green square. **The best market offer produces an annual bill that is almost \$210 less than the best offer by any of the “big three” (Energy Australia).**

CHART 19 | Queensland (Energex), Annual standing offer bills as of July 2018, annual DMO bills as of July 2020, annual market offer bills (guaranteed and conditional pay on time discounts) as of July 2021. Offers shown from lowest to highest for each category. Bill calculations based on 6,000kWh per annum, single rate, GST incl



In South Australia, the average DMO bill for households using 6,000 kWh per annum is 23% less than the average standing offer bill in July 2018. For market offers inclusive of conditional pay on time discounts, however, the average bill has decreased by 18%. See chart 20.

CHART 20 | South Australia (SAPN), change (\$) to average standing offer/DMO/VDO bills and market offer bills (guaranteed and conditional pay on time discounts) as of July 2021 compared to bills prior to new regulation taking effect (July 2018). Bill calculations based on 6,000kWh per annum, single rate, GST incl

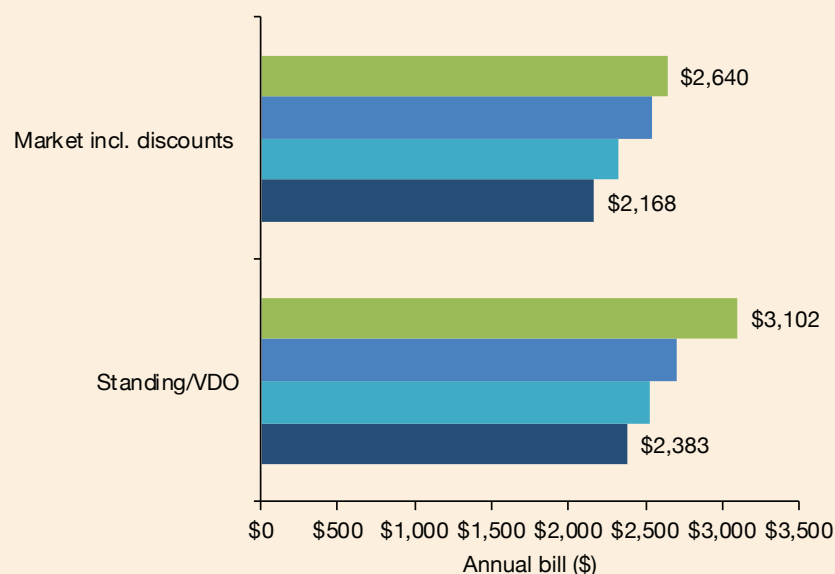
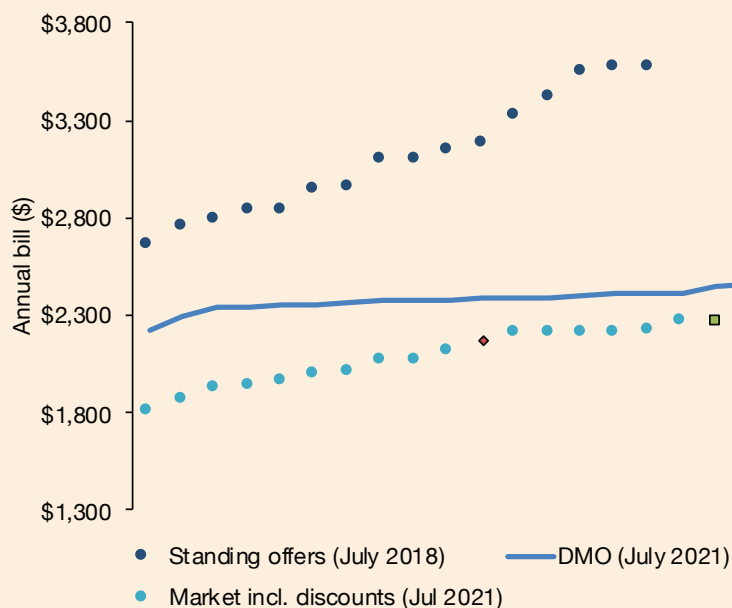


Chart 21 below shows that all of the current DMO offers produce annual bills that are lower than the best standing offers as of July 2018. Furthermore, it shows that as of July 2021, the best value offers in each network area are market offers and not DMO offers. However, as in NSW and Queensland, some market offers produce higher bills than the best DMO. **Households on the worst market offer would be \$335 per annum better off on the best DMO.** We note that the price dispersion is significantly lower for the current DMO compared to standing offers as of July 2018 (prior to the DMO taking effect) in South Australia as well. Furthermore, it shows that it is not the “big three” retailers that offer the best market offers. In chart 21 below AGL’s market offer is

represented by the blue triangle, Origin's by the red diamond and Energy Australia's by the green square. **The best market offer produces an annual bill that is \$360 less than the best offer by any of the "big three" (Origin).**

CHART 21 | South Australia (SAPN), Annual standing offer bills as of July 2018, annual DMO bills as of July 2021, annual market offer bills (guaranteed and conditional pay on time discounts) as of July 2020. Offers shown from lowest to highest for each category. Bill calculations based on 6,000kWh per annum, single rate, GST incl



In Victoria, the current VDO bill for households using 6,000 kWh per annum is 25%-29% less (depending on network area) than the average standing offer bill in January 2019. For market offers inclusive of discounts, however, the average bill has decreased by 12% in Citipower, 14% in Ausnet and United Energy, 15% in Jemena and 16% in Powercor. See charts 22 - 26.

CHART 22 | Victoria (Citipower), change (\$) to average standing offer/ DMO/VDO bills and market offer bills (guaranteed and conditional pay on time discounts) as of September 2021 compared to bills prior to new regulation taking effect (July 2018). Bill calculations based on 6,000kWh per annum, single rate, GST incl

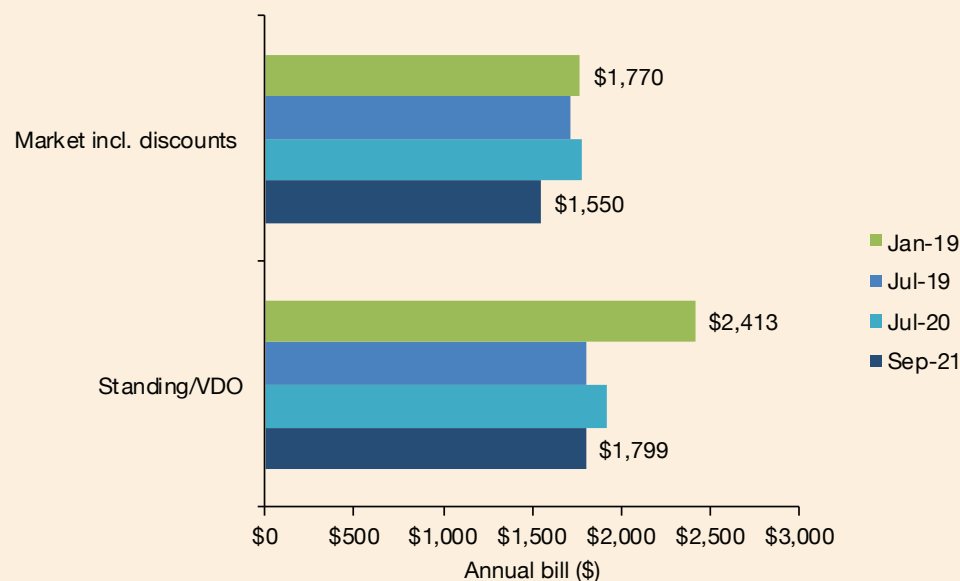


CHART 23 | Victoria (Powercor), change (\$) to average standing offer/DMO/VDO bills and market offer bills (guaranteed and conditional pay on time discounts) as of September 2021 compared to bills prior to new regulation taking effect (July 2018). Bill calculations based on 6,000kWh per annum, single rate, GST incl

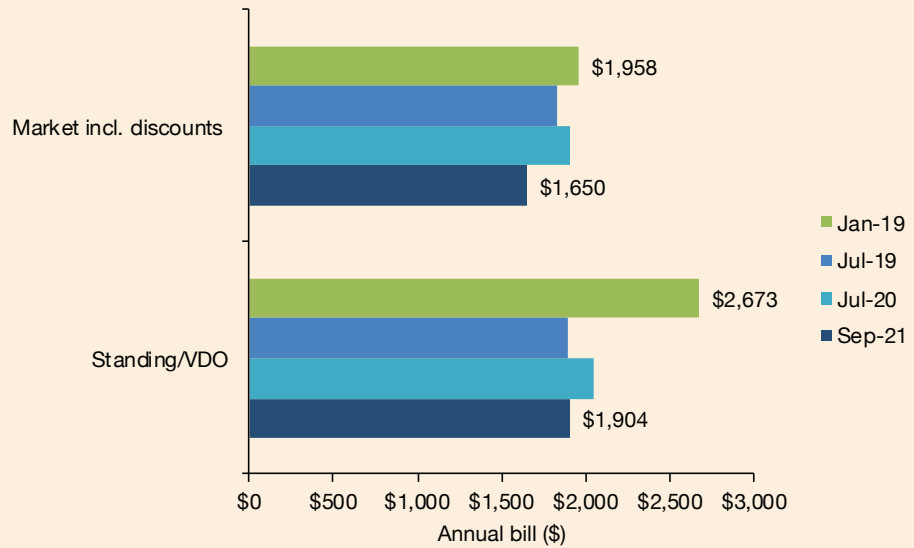


CHART 24 | Victoria (Ausnet), change (\$) to average standing offer/DMO/VDO bills and market offer bills (guaranteed and conditional pay on time discounts) as of September 2021 compared to bills prior to new regulation taking effect (July 2018). Bill calculations based on 6,000kWh per annum, single rate, GST incl

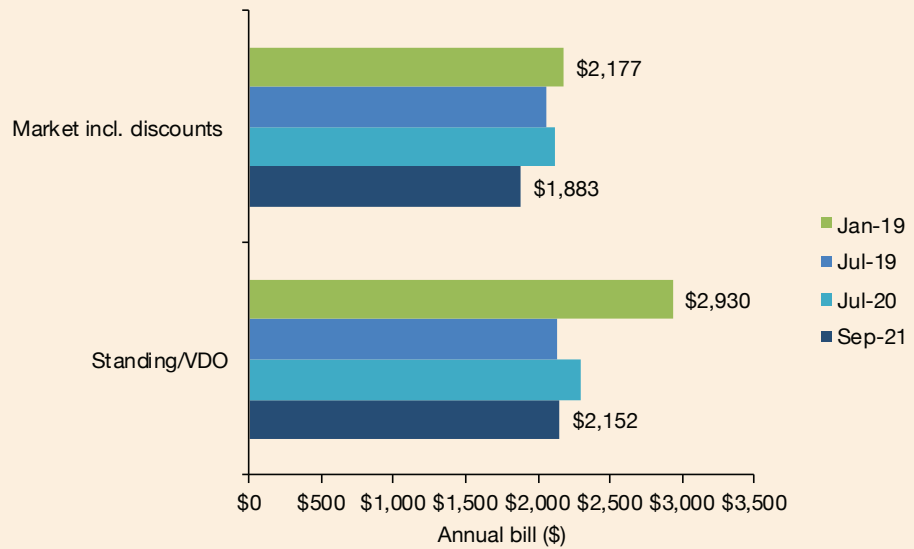


CHART 25 | Victoria (Jemena), change (\$) to average standing offer/DMO/VDO bills and market offer bills (guaranteed and conditional pay on time discounts) as of September 2021 compared to bills prior to new regulation taking effect (July 2018). Bill calculations based on 6,000kWh per annum, single rate, GST incl

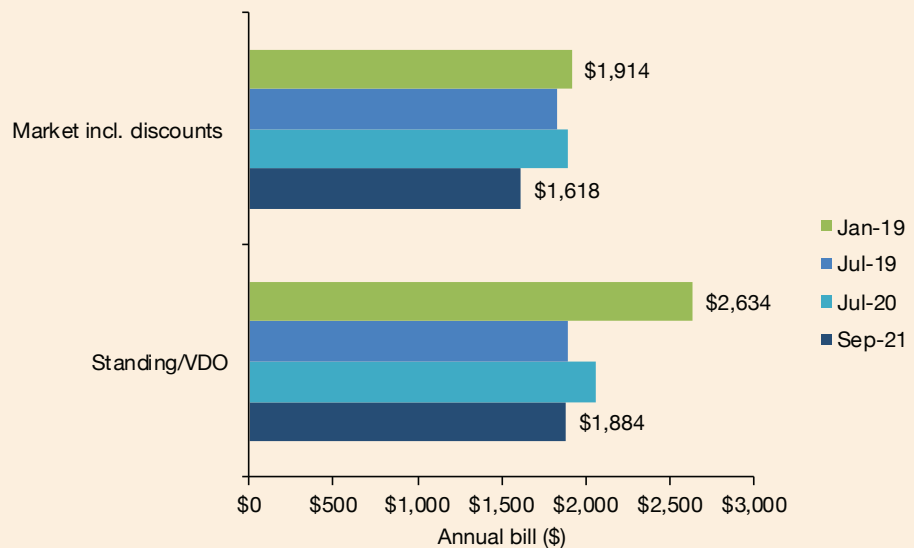
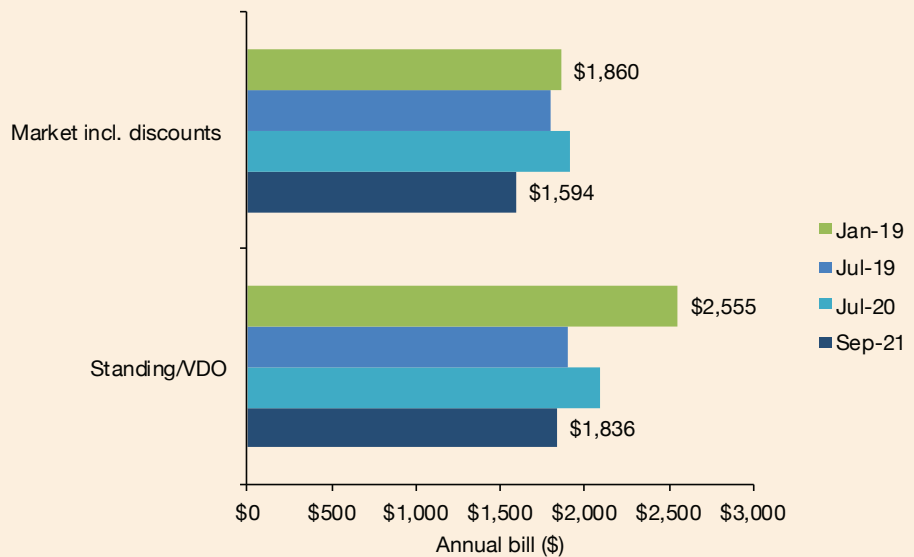


CHART 26 | Victoria (United Energy), change (\$) to average standing offer/DMO/VDO bills and market offer bills (guaranteed and conditional pay on time discounts) as of September 2021 compared to bills prior to new regulation taking effect (July 2018). Bill calculations based on 6,000kWh per annum, single rate, GST incl



There are currently no market offers that produce higher bills than the VDO while one offer in each network area produces annual bills equivalent to the VDO. **The single best market offer in each network area produces annual bills that are between \$450 and \$500 less than the VDO.** Furthermore, charts 27 – 31 below show that it is not the “big three” retailers that offer the best market offers. In charts 27 – 31 below AGL’s market offer is represented by the blue triangle, Origin’s by the red diamond and Energy Australia’s by green square. In the Jemena network (chart 30), for example, **the best market offer produces an annual bill that is \$215 less than the best offer by any of the “big three” (Energy Australia).**

CHART 27 | Victoria (Citipower), Annual standing offer bills as of January 2019, annual VDO bill as of September 2021, annual market offer bills (guaranteed and conditional pay on time discounts) as of September 2021. Offers shown from lowest to highest for each category. Bill calculations based on 6,000kWh per annum, single rate, GST incl

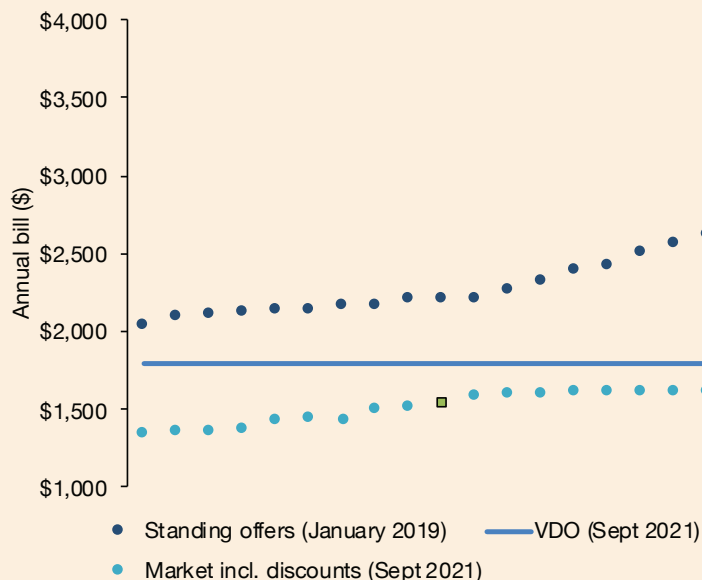


CHART 28 | Victoria (Powercor), Annual standing offer bills as of January 2019, annual VDO bill as of September 2021, annual market offer bills (guaranteed and conditional pay on time discounts) as of September 2021. Offers shown from lowest to highest for each category. Bill calculations based on 6,000kWh per annum, single rate, GST incl

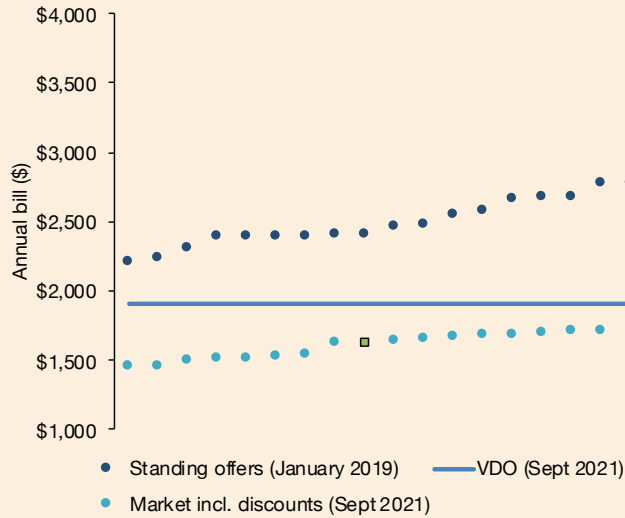


CHART 29 | Victoria (Ausnet), Annual standing offer bills as of January 2019, annual VDO bill as of September 2021, annual market offer bills (guaranteed and conditional pay on time discounts) as of September 2021. Offers shown from lowest to highest for each category. Bill calculations based on 6,000kWh per annum, single rate, GST incl

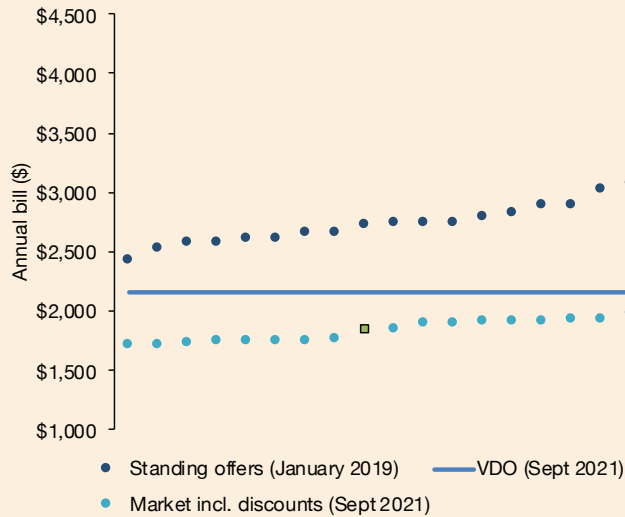


CHART 30 | Victoria (Jemena), Annual standing offer bills as of January 2019, annual VDO bill as of September 2021, annual market offer bills (guaranteed and conditional pay on time discounts) as of September 2021. Offers shown from lowest to highest for each category. Bill calculations based on 6,000kWh per annum, single rate, GST incl

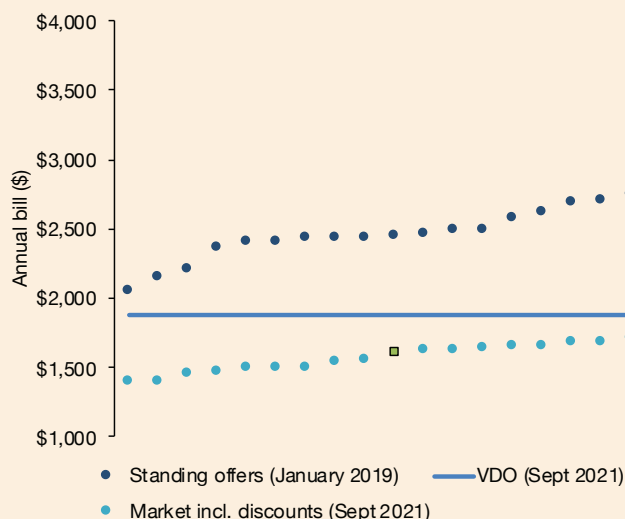
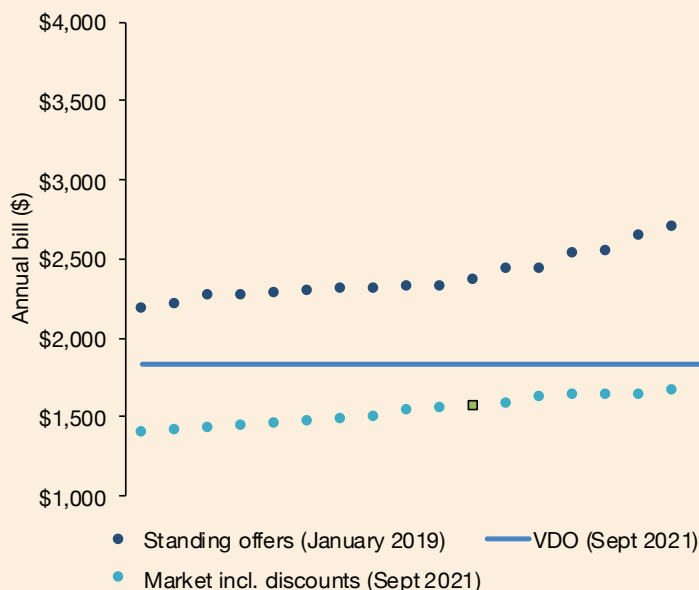


CHART 31 | Victoria (United Energy), Annual standing offer bills as of January 2019, annual VDO bill as of September 2021, annual market offer bills (guaranteed and conditional pay on time discounts) as of September 2021. Offers shown from lowest to highest for each category. Bill calculations based on 6,000kWh per annum, single rate, GST incl



4.2 Price dispersion – the “big three”

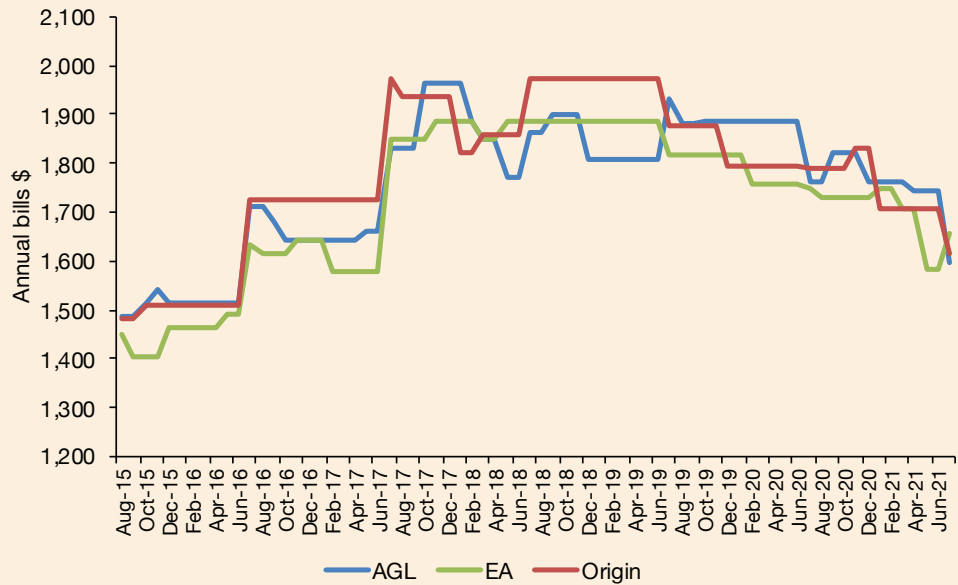
This section analyses monthly changes to the “big three” retailers’ (AGL, Energy Australia and Origin) electricity market offers and maximum price dispersion from August 2015 to July 2021 in NSW, Queensland, South Australia and Victoria.⁴⁴ It shows that the difference between the “big three” retailers’ offers vary throughout the year and that price dispersion has decreased since the introduction of the DMO/VDO in July 2019.

Over the last six years, the maximum difference between the annual bills produced by the “big three” has been as high as \$165 in NSW (Ausgrid), \$185 in Queensland (Energex), \$265 in Victoria (Citipower) and \$385 in South Australia. In NSW and Victoria the maximum price-spread peaked in the first half of 2019 while the maximum price-spread occurred in 2018 in Queensland and South Australia.

In NSW’s Ausgrid network area, the average maximum price-spread over the last year was approximately \$85. The difference was lowest in April 2021 (\$35) and highest in May – June 2021 (approximately \$160). As of July 2021, the difference was \$60.

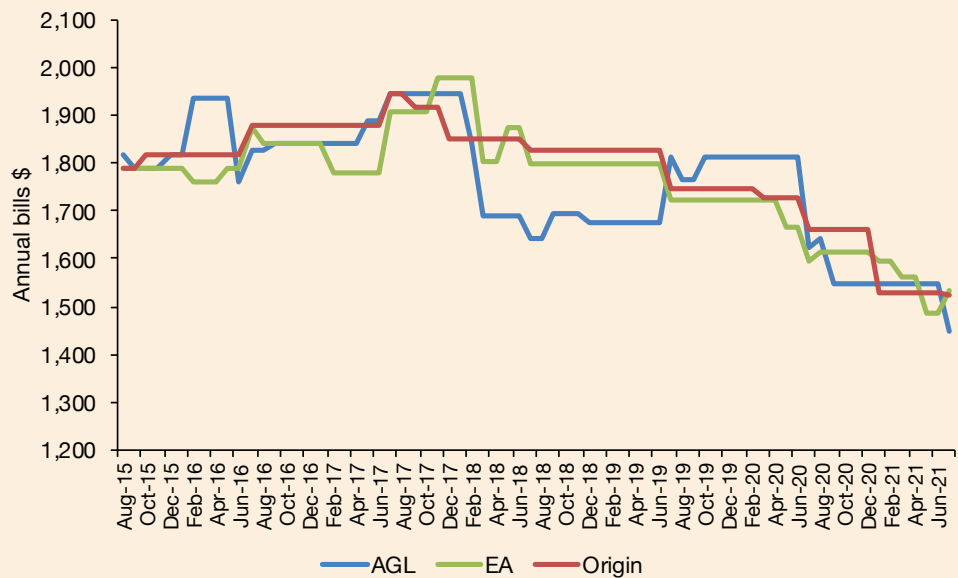
⁴⁴ In NSW the comparison is based on offers in the Ausgrid network and in Victoria it is based on offers available in Citipower’s network. As retailers change the name of offers, discontinue offers and create new offers, the offers used have varied over the five years. For Energy Australia we have used ‘Flexi Saver’ and ‘Total Plan’, for AGL we have used ‘Savers’, ‘Smart Saver’, ‘Essentials Plus’, ‘Essentials Saver’ and ‘Super Saver’ and for Origin we have used ‘Daily Saver Plus’, ‘Saver’, ‘Flexi’ and ‘Go’.

CHART 32 | NSW (Ausgrid), Annual retail bills (the big three) August 2015 – July 2021 inclusive of guaranteed and pay on time discount (6,000kWh per annum, single rate, GST incl)



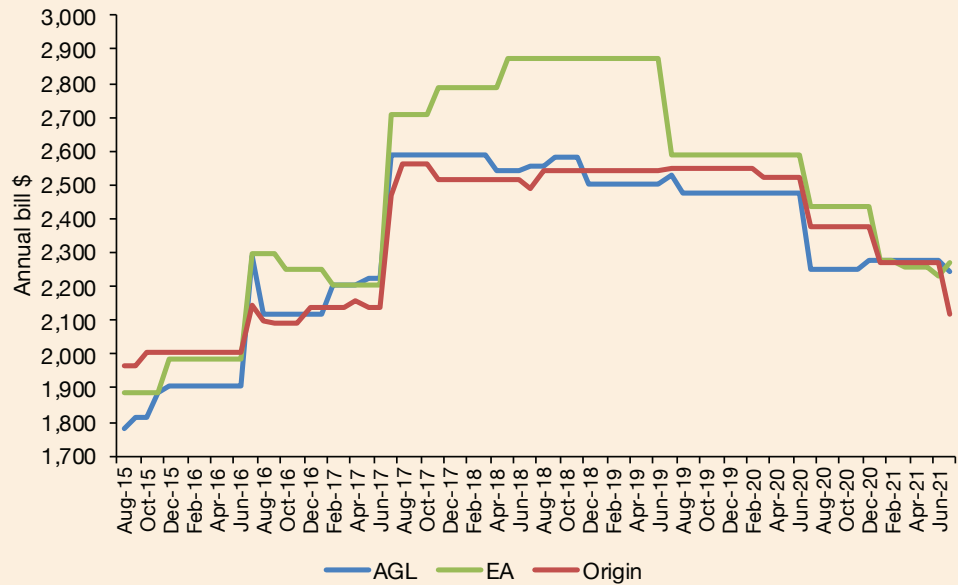
In Queensland's Energex network area, the average maximum price-spread over the last year was around \$75. The difference was lowest in March - April 2021 (approximately \$30) and highest in September - December 2020 (approximately \$110). As of July 2021, the difference was around \$90.

CHART 33 | Queensland (Energex), Annual retail bills (the big three) August 2015 – July 2021 inclusive of guaranteed and pay on time discount (6,000kWh per annum, single rate, GST incl)



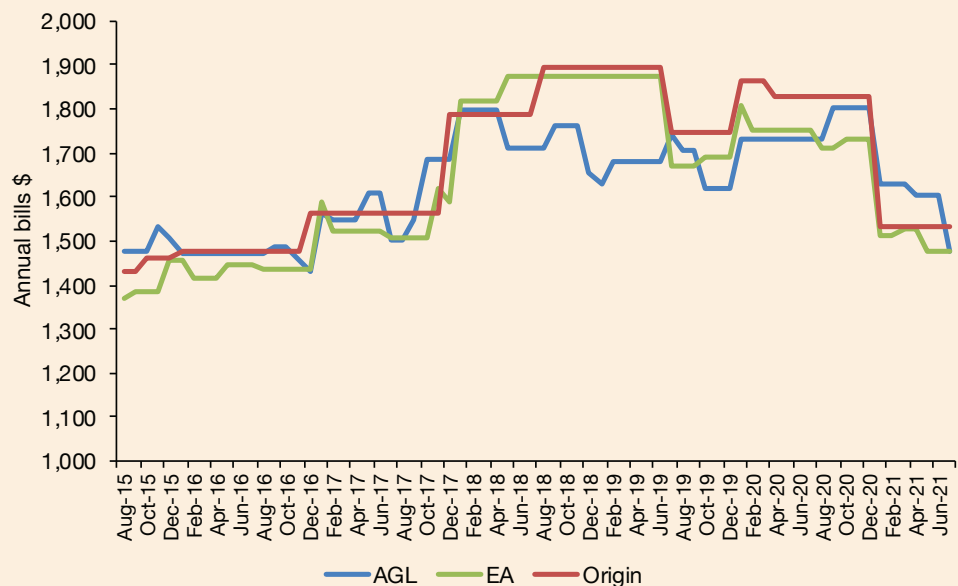
In South Australia, the average maximum price-spread over the last year was \$100. The difference was lowest in January - February 2021 (only \$8) and highest in August - November 2020 (approximately \$185). As of July 2021, the difference was around \$150.

CHART 34 | South Australia (SAPN), Annual retail bills (the big three) August 2015 – July 2021 inclusive of guaranteed and pay on time discount (6,000kWh per annum, single rate, GST incl)



In Victoria’s Citipower network, the average maximum price-spread over the last year was approximately \$105. The difference was lowest as of July 2021 (around \$55) and highest in May – June 2021 (approximately \$125).

CHART 35 | Victoria (Citipower), Annual retail bills (the big three) August 2015 – July 2021 inclusive of guaranteed and pay on time discount (6,000kWh per annum, single rate, GST incl)



The above charts have analysed price-spread for the “big three” retailers only. Chart 36 below compares the maximum price-spread for all retailers to that of the “big three” for each jurisdiction as of July 2021 (September 2021 for Victoria), and it shows that **the price-spread between the big three is much lower than the market overall**. The lack of price dispersion between the “big three” retailers highlights the importance of having 2nd tier retailers that can put downward pressure on prices.

CHART 36 | Maximum difference between the big three's annual retail bills and all retailers' annual bills as of July 2021 in NSW, Queensland and South Australia and September 2021 in Victoria, inclusive of guaranteed and pay on time discount (6,000kWh per annum, single rate, GST incl)⁴⁵



⁴⁵ Based on offers in the Energex network in Queensland, SAPN in South Australia, Ausgrid in NSW and Citipower in Victoria.

5. Price reductions experienced by most consumers

Section 4.1 shows that customers on the standing offer and DMO/VDO have experienced greater price reduction since the re-regulation than market offer customers. The proportion of customers on these offers, however, is small compared to the proportion of customers on market offers. In NSW and South East Queensland (the Energex network), only 12% of customers are on the DMO, and in South Australia only 8% are.⁴⁶ In Victoria, the proportion of customers that are on the VDO is even lower, with around 5% as of June 2020.⁴⁷

Section 4.1 also shows that the “big three’s” market offers are not the most expensive offers, nor the least expensive offers and section 4.2 shows that the price-spread between the “big three” is much lower than the market overall. In this section we examine the market share of the retailers to explore the actual price reduction experienced by the majority of customers.

In NSW, less than 1% of customers are with the three retailers that offer the best market offers⁴⁸, in South East Queensland 1% are with the three retailers that offer the best market offers⁴⁹, and in South Australia only 0.3% are with the three retailers that offer the best market offers.⁵⁰ In Victoria, GloBird, Q Energy, Alinta, Lumo, 1st Energy and Tango Energy are retailers that consistently offer (across all network areas) the best market offers as of September 2021. However, only two of these retailers, Lumo and Alinta, have significant market shares, at 5.4% and 4.9% respectively.⁵¹ Tango’s market share is 2%, GloBird 1.4%, 1st Energy 0.3% and Q Energy’s market share is as low as 0.02%.⁵²

Chart 37 below shows retailers average market offer bills (across all network areas) in NSW as well as approximate market share for each retailer. **Firstly, it shows that the vast majority of customers are with a handful of retailers (Origin, Energy Australia, AGL, Red Energy and Alinta). Secondly, it shows that very few customers are on the best or the worst offers.**

⁴⁶ Based on the 2019-20 numbers in AER, Schedule 2 – Q3 2020-21, Retail performance data

⁴⁷ ESC, Victorian Energy Market Report 2019-20, 30 November 2020, 102

⁴⁸ The three retailers are ReAmped Energy, Energy Locals and Kogan Energy and the market share is based on AER, Schedule 2 – Q3 2020-21, Retail performance data

⁴⁹ The three retailers are ReAmped Energy, Mojo Power and Powerdirect and the market share is based on AER, Schedule 2 – Q3 2020-21, Retail performance data

⁵⁰ The three retailers are ReAmped Energy, Power Club and Discover Energy and the market share is based on AER, Schedule 2 – Q3 2020-21, Retail performance data

⁵¹ Market share as of 30 June 2020 based on ESC, Victorian Energy Market Report 2019--20, 30 November 2020, Figure 9

⁵² Ibid

CHART 37 | NSW
 – average annual bills for market offer inclusive of guaranteed and pay on time discount (6,000kWh per annum, single rate, GST incl) as of July 2021 and approximate market share for each retailer⁵³

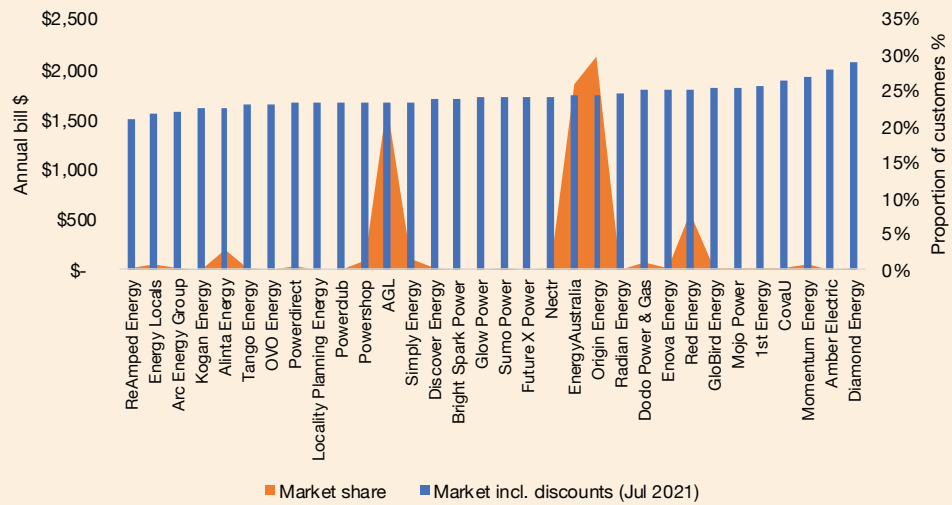


Chart 38 below shows retailers average market offer bills in South East Queensland (Energex network) as well as approximate market share for each retailer. As in NSW, it shows that the vast majority of customers are with a handful of retailers (Origin, Energy Australia, AGL, Red Energy and Alinta) and that very few customers are on the best or the worst offers.

CHART 38 | QLD (Energex)
 – average annual bills for market offer inclusive of guaranteed and pay on time discount (6,000kWh per annum, single rate, GST incl) as of July 2021 and approximate market share for each retailer⁵⁴

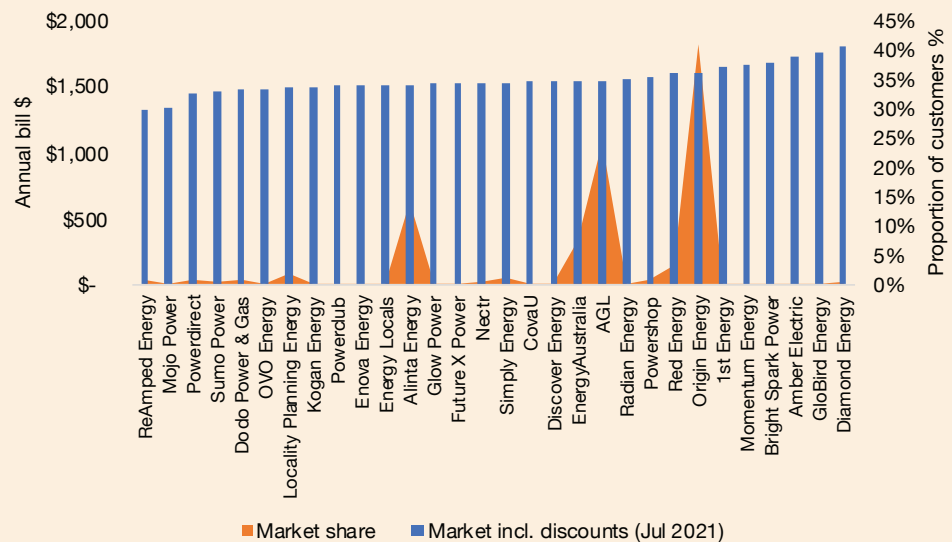


Chart 39 below shows retailers average market offer bills in South Australia as well as approximate market share for each retailer. It shows that the vast majority of customers are with seven retailers (AGL, Origin, Energy Australia, Simply Energy, Lumo Energy, Red Energy and Alinta) and that very few customers are on the best offers.

⁵³ The market share is based on AER, Schedule 2 – Q3 2020-21, Retail performance data

⁵⁴ The market share is based on AER, Schedule 2 – Q3 2020-21, Retail performance data

CHART 39 | SA – average annual bills for market offer inclusive of guaranteed and pay on time discount (6,000kWh per annum, single rate, GST incl) as of July 2021 and approximate market share for each retailer⁵⁵

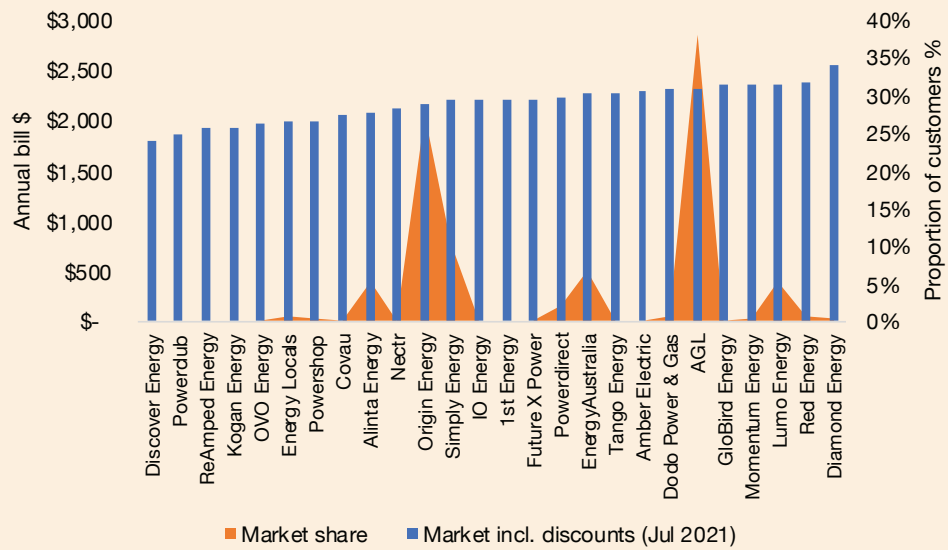


Chart 40 below shows retailers average market offer bills (across all network areas) in Victoria as well as approximate market share for each retailer. It shows that the market share is less concentrated in Victoria than in other jurisdictions and while the majority of customers are with retailers that produce higher than average annual bills, customers are spread across the bill spectrum.

CHART 40 | VIC – average annual bills for market offer inclusive of guaranteed and pay on time discount (6,000kWh per annum, single rate, GST incl) as of September 2021 and approximate market share for each retailer⁵⁶

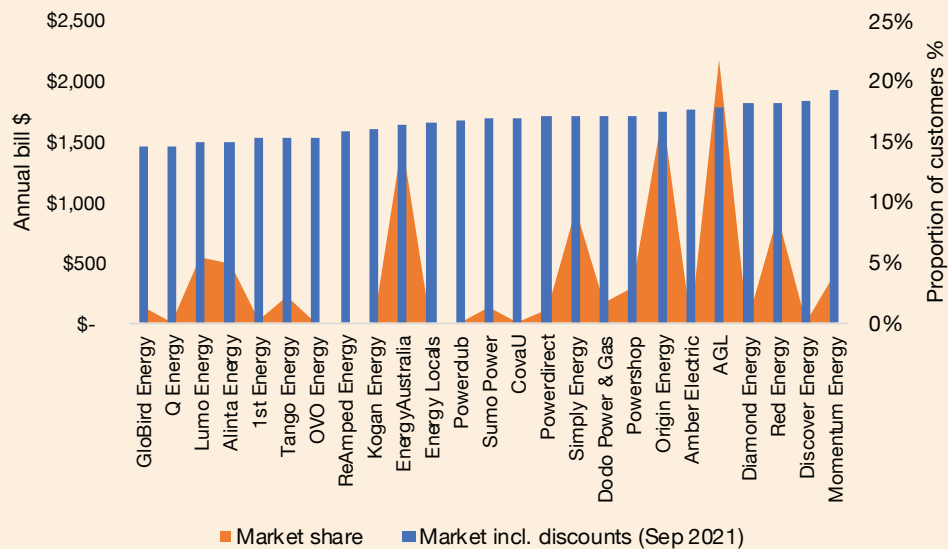


Table 8 below compares reduction to average market offer (based on all retailers as per chart 11 in section 4.1 above) to reduction to average market offer based on retailers with a significant market share only. It shows that the difference is particularly high in Queensland and South Australia (7 percentage points).

⁵⁵ The market share is based on AER, Schedule 2 – Q3 2020-21, Retail performance data

⁵⁶ Market share as of 30 June 2020 based on ESC, Victorian Energy Market Report 2019--20, 30 November 2020, Figure 9

TABLE 8 | Bill reductions to market offers since the DMO and VDO took effect, average market offer (all retailers) compared to average market offer for key retailers (retailers with significant market share)⁵⁷

| | NSW | QLD | SA | VIC |
|--|------|------|------|------|
| % change to average market offer | -13% | -17% | -18% | -14% |
| % change to average market offer for retailers with large market share | -10% | -10% | -11% | -8% |

It is clear that the market shares are still very concentrated around a few larger retailers, especially outside Victoria, and that many customers pay more than necessary by not switching to some of these smaller retailers. We have also observed that an increasing number of retailers are offering an increasing number of offers. A small retailer like Discover Energy, for example, has the following five offers in Ausgrid ‘Smart Saver’, ‘Solar Smart’, ‘Ultimate Saver’, ‘Economy’ and ‘Easy’ despite having a NSW market share of 0.1%. Sumo Power, with an NSW market share of 0.3%, offers seven variations of its market offers: ‘Assure’, ‘ACN Easy’, ‘Assure + \$50 eGift Card’, ‘Assure + \$50 Credit’, ‘Freedom’, ‘Freedom + \$50 eGift Card’ and ‘Freedom + \$50 Credit’.

It is not just the small retailers that have a myriad of offers. AGL, for example, has the following seven market offers available to Victorian customers: ‘Flexible Saver’, ‘Partners Saver’, ‘Seniors Saver’, ‘Super Saver’, ‘St Kilda Super Saver’, ‘Super Saver (Rent Customers)’ and ‘Super Saver (Westpac Customers)’. Momentum, also in Victoria, offers five market offers: ‘Bill Boss’, ‘Self Serve Electricity’, ‘SmilePower Flexi’, ‘SmilePower Flexi Geelong Cats’, and ‘Solar Step-Up’. The ‘Self-Serve’ product has the same rates as the ‘SmilePower Flexi Geelong Cats’ product and these are the lowest rates, while ‘SmilePower Flexi’ has the same rates as the ‘Solar Step-Up’ product and these are the highest rates. The ‘Bill Boss’ product has higher rates than ‘Self-Serve’ and ‘SmilePower Flexi Geelong Cats’ but lower than ‘SmilePower Flexi’ and ‘Solar Step-Up’. In order to get the lowest rates the customer must sign up online, agree to receive monthly bills via email and pay via direct debit (the ‘Self Serve’ product). Alternatively, the customer can be, or become, a member of Geelong Football club, agree to receive monthly bills via email and pay via direct debit. This ‘SmilePower Flexi Geelong Cats’ offer also offers a virtual gift card worth \$75. If customers do not want to pay by direct debit, however, they can go for the ‘Bill Boss’ offer that has higher rates. Customers will still receive monthly bills by email though. If customers do not want to receive their bills via email, however, they need to choose the offer with the highest rates (‘Smile Power Flexi’). Customers will still receive monthly bills though. Solar customers that choose the ‘Solar Step-Up’ offer will also pay the highest rates but will receive a 10c/kWh FIT rate compared to the 6.7c/kWh offered with the ‘Bill Boss’ offer. Table 9 below shows that customers who do not want to pay via direct debit and therefore choose ‘Bill Boss’ instead of ‘Self Serve’, will pay \$54 more per annum (if they use 6,000 kWh/annum in the Citipower network). Customers who do not want to receive bills via email and therefore choose ‘Smile Power Flexi’ instead of ‘Bill Boss’ will pay \$234 more per annum and we note that the \$53 difference to the annual supply charge alone should have been sufficient to cover postage.

⁵⁷ Retailers with significant market share included are AGL, Energy Australia, Origin, Alinta and Red Energy in NSW and Queensland and AGL, Energy Australia, Origin, Alinta, Red Energy, Simply and Lumo in South Australia and Victoria. Bill comparison is based on July 2018 to July 2021 in the DMO states and January 2019 and September 2021 for Victoria.

TABLE 9 | Comparison of Momentum’s electricity offers (single rate) in Victoria’s Citipower network, 6,000 kWh/annum, including GST

| Products | Annual supply charge | Annual electricity usage charge (6,000kWh/annum) | Annual bill |
|---|----------------------|--|-------------|
| ‘Smile Power Flexi’ and ‘Solar Step-Up’ | \$406.10 | \$1,394.40 | \$1,801 |
| ‘Bill Boss’ | \$353.30 | \$1,213.20 | \$1,567 |
| ‘Smile Power Flexi Geelong Cats’ and ‘Self Serve’ | \$341.10 | \$1,171.80 | \$1,513 |

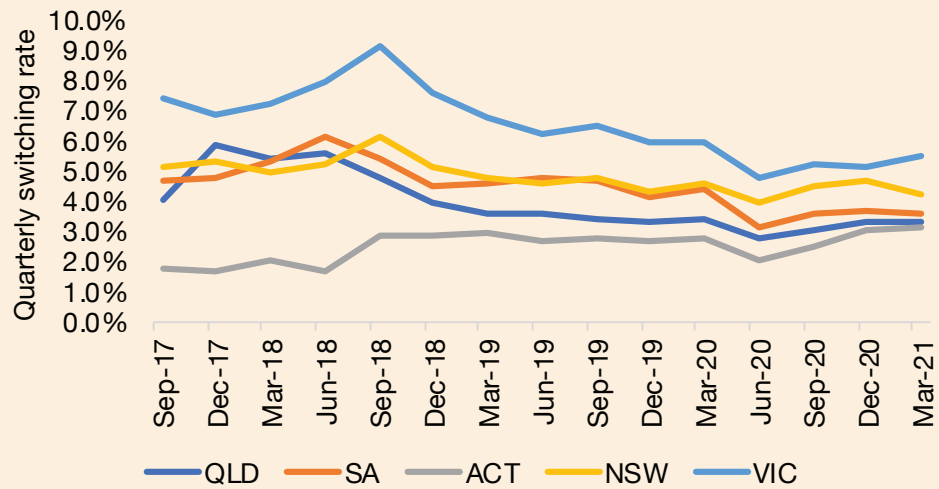
While there are some savings attached to online sign-up, direct debit payments and e-billing, **the various product offerings outlined above may indicate that retailers are applying strategies to make the market unnecessary complex and confusing.** Instead of just offering a better price, for the homogenous product energy is, consumers are asked to consider the value of an eGift Card compared to an account credit, whether a free St Kilda guernsey is more valuable than a \$100 prepaid digital Mastercard etc.

Government switching sites aim to make it easier for consumers to identify better electricity deals and switch retailer, but these can also be confusing due to the high number of special offers included. Special offers are typically offers that require the customer to sign up via a commercial switching site such as Energy Watch or iSelect. The ACT has relatively few retailers, but an Energy Made Easy search limited to Origin Energy and single rate offers show a total of 99 plans where 89 of them are so-called special or promotional offers.

It is also becoming increasingly difficult to locate offers (Fact Sheets or Basic Price Plan Documents) on many retailers’ websites. CovaU and 1st Energy, amongst others, require consumers’ full address in order to show their plans, while other retailers “hide” the links to the offers behind small fonts or at the very bottom of their websites.

Chart 41 below shows quarterly switching rates for residential and small business electricity customers from September 2017 to March 2021 and **it shows that switching rates are declining in all jurisdictions except the ACT.** In Queensland, the highest switching rates occurred all the way back in December 2017 (5.9%) compared to 3.3% as of March 2021. In South Australia, the highest switching rates were in June 2018 (6.1%) compared to 3.5% in March 2021. In NSW and Victoria, peak switching activity occurred in September 2018 (6.1% in NSW and 9.1% in Victoria). In March 2021 the switching rates were down to 4.2% in NSW and 5.5% in Victoria. In the ACT, on the other hand, the greatest switching activity occurred in March 2021 (3.1%) and is likely to reflect the increase in retailers entering the ACT market. **In the states that re-regulated in July 2019, switching rates have not reached pre-regulation heights since.**

CHART 41 | Quarterly switching rates for residential and small business electricity customers from September 2017 to March 2021⁵⁸



In terms of recent price reductions, they have been greater for those who never engaged with the market than many of those that have. That said, market offers do generally offer lower prices than the regulated rates so the annual bill itself is likely higher for customers on the regulated rates. We are, however, **concerned about an increasingly complex and confusing retail market and the decline in switching rates**. Consumers may be less motivated when prices are decreasing instead of increasing, but they are taken on an upward journey when network and/or wholesale costs go up and they should be taken on the downward journey when network and/or wholesale costs go down. **The analysis presented in this section indicates that retail customers do not as easily reap the full benefit of declining prices as they do get to feel the full pain of increasing prices.**

⁵⁸ Based on AER, Schedule 2 – Q3 2020-21, Retail performance data