

The NEM

Volatile prices, vanishing retailers
and vulnerable consumers



Observations from the Vinnies' Tariff-Tracking Project



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The NEM – Volatile prices, vanishing retailers and vulnerable consumers

Observations from the Vinnies' Tariff-Tracking Project

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Report reference: St Vincent de Paul Society and Alviss Consulting,
The NEM – Volatile prices, vanishing retailers and vulnerable consumers
Melbourne, October 2022

Disclaimer

The energy offers, tariffs and bill calculations presented in this paper 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 paper and the workbooks is not provided as financial advice. While we have taken great care to ensure accuracy of the information provided in this paper 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 paper 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 the relevant regulator's website or contact the energy retailers directly.

Acknowledgements

This project was funded by Energy Consumers Australia (www.energyconsumersaustralia.com.au) as part of its grants process for consumer advocacy projects and research projects for the benefit of consumers of electricity and natural gas.

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

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, 2021 and 2022.

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, September 2021, January 2022 and July 2022. The VDO determines the rates for standard metering types (single rate, controlled load and two-rate) in each network area and the retailers are obliged to reflect these rates if they offer non-standard standing offers.³

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

³ See ESC, Victorian Default Offer Price Determination 2022-23, 1 July 2022 – 30 June 2023, 5

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.⁴ 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.⁵ 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.⁶ 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. While this year's report continues to analyse the impact of the retail price regulations that took effect on 1 July 2019, a key focus is also the retailers' responses to a volatile wholesale market and the purpose of the regulated standing offers.

⁴ For households with single rate metering.

⁵ 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.

⁶ The Victorian workbooks contain regulated/standing offers from July 2008 to July 2022 and market offers from July 2010 to July 2022. The NSW workbooks contain regulated/standing offers from July 2009 to July 2022 and market offers from 2011 and 2022. The Queensland and South Australian workbooks contain regulated/standing offers from July 2009 to July 2022 and market offers from July 2012 to July 2022. The ACT workbooks contain regulated/standing offers from July 2009 to July 2022 and market offers from July 2013 to July 2022. The Tasmanian workbooks contain regulated and market electricity offers from July 2009 to July 2022 and gas market offers from July 2013 to July 2022. 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 2022 in order to explore where and when prices have increased or decreased.

The base rates for electricity (standing offers) have increased in Queensland, New South Wales, South Australia, Tasmania, Western Australia and the Northern Territory compared to last year, whereas the standing offer rates have decreased slightly in Victoria and the ACT. For gas, standing offer prices have increased in all jurisdictions.⁷

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 negative in the ACT and as high as 34% in Tasmania.⁸ In Victoria the retail component is between 21-25% (depending on network area), in South East Queensland it is 26%, in South Australia it is 18%, in NSW it is 14-19% (depending on network area) while it is 34% in Tasmania. The estimated network component is greatest in NSW's Essential network and in Victoria's Ausnet network (48%) while it is lowest in Victoria's Citipower network and NSW's Ausgrid network (36%). The Green scheme component is significantly greater in the ACT (27%) 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.

Annual bills for solar customers have increased in all jurisdictions. Since last year, annual bills for solar customers have increased the most in South East Queensland (\$395) while the smallest increase has been in Tasmania (\$120). The difference between solar and non-solar bills has decreased in many networks in recent years. In July 2020 the average difference was \$860, in July 2021 the average difference was \$780, and in July 2022 it is \$655. The average FIT credit paid to households has declined in all jurisdictions and particularly in South Australia and Victoria.

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.⁹

⁷ Northern Territory is not included in the gas analysis due to low penetration.

⁸ A negative residual amount in the ACT does not mean that the retailers do not have costs or a margin in this jurisdiction and we emphasise that this is based on average retail bill across all retailers (not weighted for market share). It can, however, indicate that the retail costs/margins are lower in the ACT compared to other jurisdictions. The report also stresses that as electricity wholesale prices increased significantly in the second quarter of 2022 and prompted temporary market intervention, this analysis is likely to underestimate the wholesale costs faced by some retailers. This is particularly relevant to the market offer bill-stack as it is based on the average market offer (unweighted) across all retailers.

⁹ The "big three" retailers are AGL, Energy Australia and Origin Energy

Standing offers, on average, have decreased by 17% in South Australia, 8% in South East Queensland, and 28% in Victoria after the DMO/VDO took effect in July 2019. In NSW, on the other hand, the average standing offer has increased by 20%.¹⁰ The average market offer bills, however, has in some cases increased significantly. In NSW, where the increase is the greatest, the average market offer bill has increased by 51% over this period. In South East Queensland the increase is 19% and in South Australia it is 17%. In Victoria, on the other hand, the average market offer bill inclusive of guaranteed and conditional pay on time discounts has decreased by 2%.

As of July 2022, the best value offers in each network area are market offers and not standing offers. That said, some market offers produce higher bills than the best standing offers in each of the network areas

The difference between the “big three” retailers’ offers (price dispersion) is much lower than the overall price-spread based on all retailer’s offers. As of July 2022, the maximum price-spread (difference to annual bill) for the “big three” is approximately \$125 in Victoria, \$160 in South East Queensland, \$180 in NSW and \$200 in South Australia.

Section 5 **‘Retailers’ responses to a volatile wholesale market’** examines some of the retailers’ public messaging in response to increasing wholesale prices as well as the impact the volatile wholesale market had on the various retailers’ offers from April to August 2022. It finds that:

- | Many retailers ceased offering market offers or accepting new customers.
- | Some retailers actively encouraged their customers to find a new retailer.
- | Many of the retailers’ communications were quite alarmist in nature.
- | Many retailers warned about delays to customer service timelines due to high demand.
- | Many retailers announcing significant price increases did not clearly refer to the regulated standing offers.

We express concern about the impact the volatile wholesale market, and subsequently some retailers’ responses, would have had on many customers. We argue that the retailers’ responses to the volatile wholesale market raises issues pertaining to the purpose of the standing offers, the model for setting standing offer prices, consumer awareness and obligations on retailers to inform customers of standing offer products.

The assumption has been that the standing offers provide a security net for customers unwilling or unable to participate in the market and that customers engaging in the market will be on better offers than the standing offer. However, as per the findings presented in this report, many recent market offer products have been more expensive than the standing offers. This situation has highlighted a lack of clarity regarding the purpose of standing offers and the most urgent task is thus to clearly determine what this purpose actually is.

¹⁰ Based on a comparison of average bills (across all retailers/network areas) for household using 6,000 kWh/annum as of July 2022 to bills prior to the DMO and VDO taking effect (billing data collected in January 2019 for Victoria and July 2018 for other jurisdictions).

1. How energy prices are tracking

Key findings:

- | The base rates for electricity (standing offers) have increased in NSW, Queensland, South Australia, Tasmania, Western Australia and the Northern Territory compared to last year.¹¹
- | In NSW and Queensland electricity prices have increased by approximately 13.5%, in South Australia by 8.7%, in Tasmania by 11.9%, in Western Australia by 2.5% and in the Northern Territory by 2.7%. In Victoria and the ACT, prices decreased slightly (around 1%) in July 2022 compared to last year.
- | From a longer-term perspective, compared to 2009 electricity prices have increased by 64% on average, with the ACT and Western Australia having experienced the greatest increases (84% and 87%, respectively).¹²
- | Gas prices have increased in all jurisdictions with NSW and the ACT experiencing the largest increases (around 8%). South Australia has had the lowest increase of 0.3%.¹³
- | From a longer term perspective, compared to 2009 gas prices have increased by 81% on average, with Victoria experiencing the greatest increases (120%).¹⁴

This section analyses changes to electricity and gas prices across Australia from July 2009 to July 2022 in order to explore where and when prices have increased or decreased.

¹¹ Based on July 2021 and 2022 prices in all jurisdictions except Victoria which compares July 2022 to September 2021 (which was the most recent VDO used for last year's analysis).

¹² These are nominal price increases.

¹³ Based on July 2021 and 2022 prices in all jurisdictions. Northern Territory is not included in the gas analysis due to low penetration.

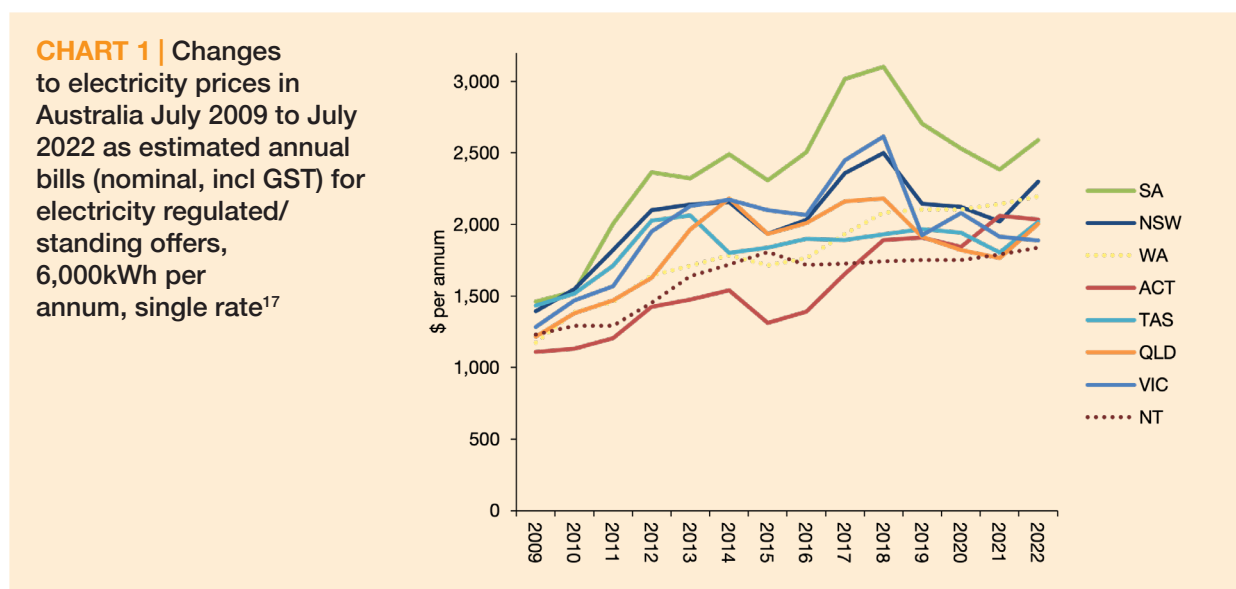
¹⁴ For Tasmania, the comparison is based on 2022 and 2013 prices. All other jurisdictions are based on prices as of 2009 and 2022. These are nominal price increases.

1.1 Electricity prices

In comparison to July 2021, regulated standing offer prices (the base-rate) have increased in NSW, Queensland, South Australia, Tasmania, Western Australia and the Northern Territory. The size of the increase, however, does vary between the jurisdictions. In NSW and Queensland electricity prices have increased by approximately 13.5%, in South Australia by 8.7%, in Tasmania by 11.9%, in Western Australia by 2.5% and in the Northern Territory by 2.7%. In Victoria and the ACT, prices decreased slightly (around 1%) in July 2022 compared to last year.¹⁵

Chart 1 shows estimated annual bills for households consuming 6,000kWh per annum (single rate) from July 2009 to July 2022.¹⁶ The dotted lines represent electricity bills in the Northern Territory and Western Australia, the two non-NEM jurisdictions.

Looking at longer-term changes, chart 1 also shows the increasing differences in electricity prices between NEM jurisdictions between 2009 and 2022. While South Australia had the highest prices in both July 2009 and July 2022, the ACT had the lowest (in the NEM) in 2009 and Victoria has the lowest prices (in the NEM) as of July 2022. The difference between the annual bill for South Australian and ACT households (with this consumption level) was just \$350 in 2009 compared to approximately \$700 difference between South Australia and Victoria in 2022.



¹⁵ In Victoria we compare July 2022 to September 2021 (which was the most recent VDO used for last year's analysis).

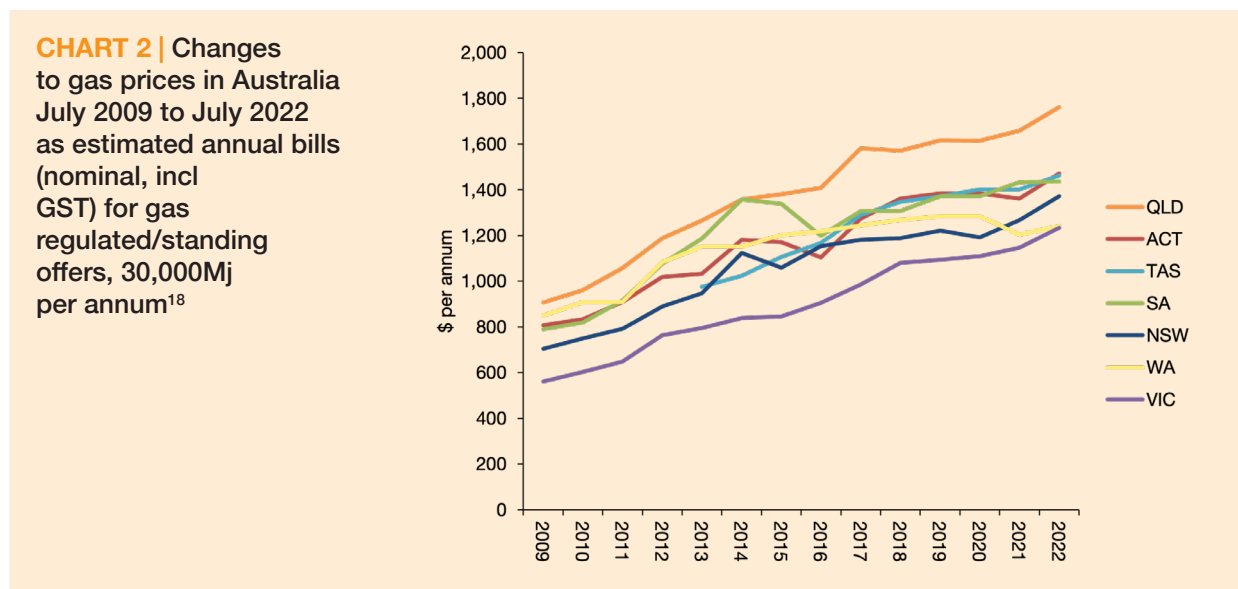
¹⁶ Note that Tasmania introduced carbon exclusive prices from 1 July 2014 (rather than backdating new prices after the repeal) and Tasmania's July 2014 price is therefore carbon exclusive.

¹⁷ 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 2022 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 all jurisdictions since July 2021 but the increases in South Australia are minimal compared to NSW and the ACT.**

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 \$530 for this consumption level.



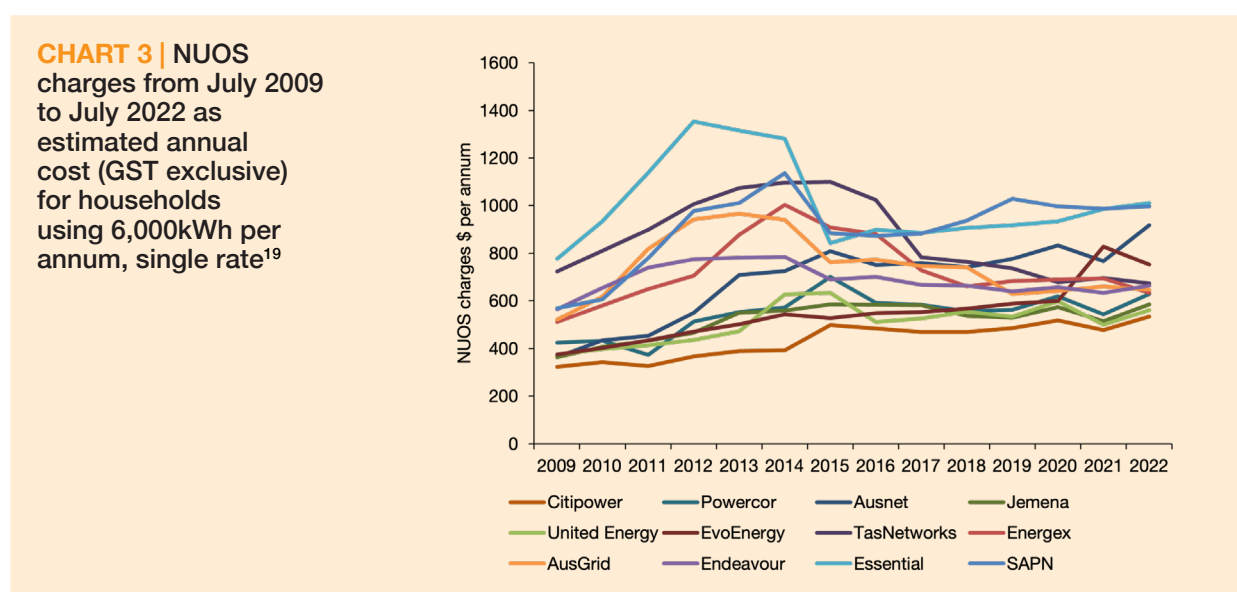
¹⁸ In Victoria the standing offer price is based on the incumbents' average retail standing offer across the eight main gas zones. In NSW the standing offer price is based on the regulated retail offer across the eleven gas zones until July 2016. In July 2019, 2020, 2021 and 2022, it is based on the 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 2022 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.

Chart 3 below shows that in 2022, **Network Use of System (NUOS) charges increased significantly in all Victorian network areas and modestly in NSW (Endeavour and Essential) and South Australia.** In the ACT, Tasmania, Queensland and NSW (Ausgrid) NUOS prices decreased.

Chart 3 also shows that the NUOS price changes vary significantly between the networks. Households in rural NSW (Essential) and South Australia (SAPN) 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 \$480 more in the Essential network compared to Citipower. By contrast, the difference was as high as \$985 in 2012.



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 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 Victoria’s Ausnet network and NSW’s Essential network while South Australia (SAPN) is only marginally below 40%. By comparison elsewhere in Victoria, as well as in Queensland (Energex) and NSW (AusGrid and Endeavour) the NUOS accounts for closer to 30% of electricity bills. Since last year, the NUOS proportion has increased in Victoria (all networks) and decreased in all other jurisdictions.

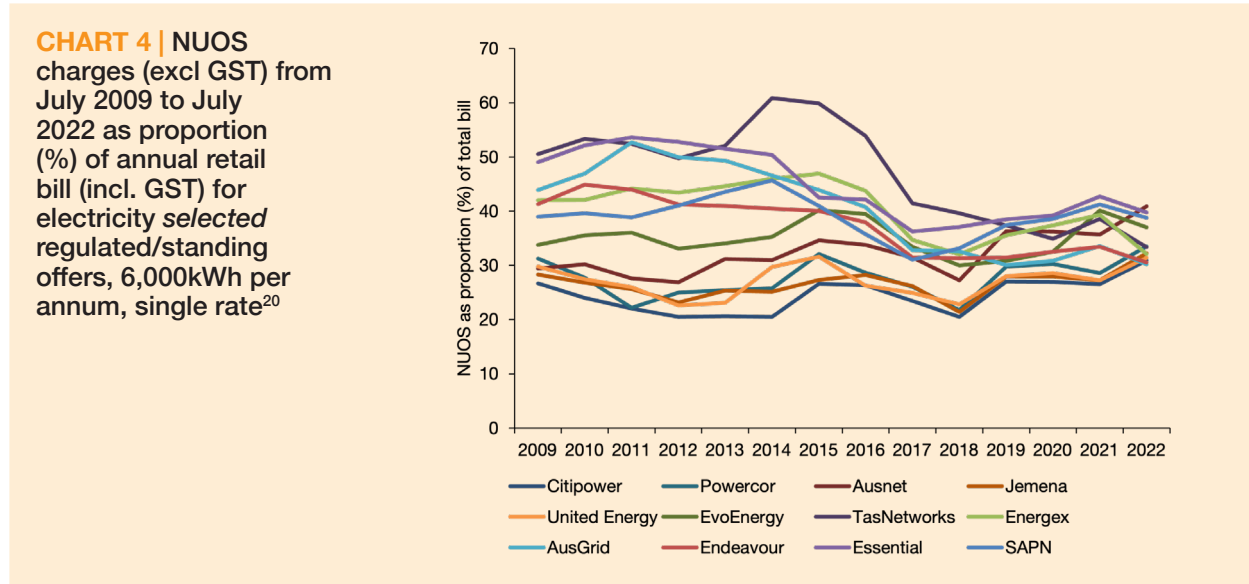
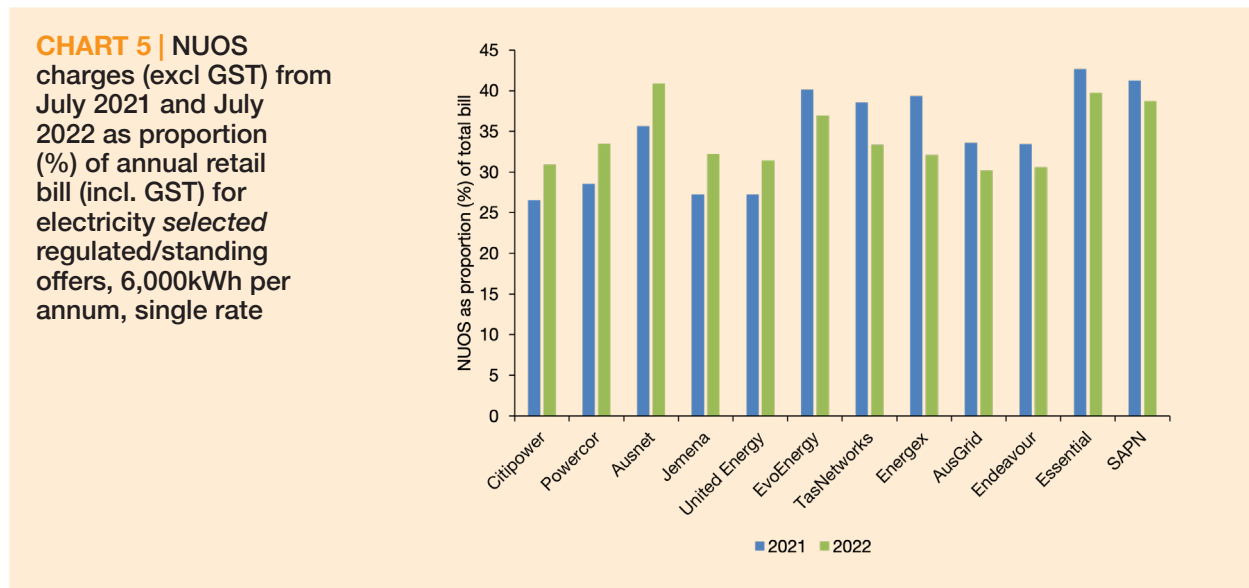


Chart 5 compares the NUOS proportion of bills in July 2021 to July 2022. It shows that the biggest decreases occurred in Queensland and Tasmania (7% and 5%). The largest increase (around 5%), occurred in the Victorian networks.



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 2022.

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.

While we do not know exactly what retailers pay for wholesale energy we have relied on the AEMC’s 2021 annual price trend report and based the wholesale cost component on their 2021/22 and 2022/23 numbers.²¹ We stress, however, that as electricity wholesale prices increased significantly in the second quarter of 2022 and prompted temporary market intervention, this analysis is likely to underestimate the wholesale costs faced by some retailers.²² This is particularly relevant to the market offer bill-stack as it is based on the average market offer (unweighted) across all retailers.

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

Jurisdiction	2021/22 \$/MWh	2022/23 \$/MWh	Average (rounded)
ACT	99.7	120.3	110
NSW	104.2	125.5	115
Queensland	85.5	72.1	79
South Australia	94.9	111.6	103
Tasmania	67.2	68.1	68
Victoria	81.3	73.2	77

The AEMC’s Residential Electricity Price Trends report has also been used as a source to estimate “green scheme” costs.²³ Table 2 below shows the cost of “green schemes” used for this analysis.

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

Jurisdiction	2021/22 ¢/kWh	2022/23 ¢/kWh	Average
ACT	6.85	6.09	6.47
NSW	2.24	2.01	2.13
Queensland	2.38	2.09	2.24
South Australia	3.27	3.01	3.14
Tasmania	2.31	2.16	2.24
Victoria	2.22	2.15	2.19

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 \$50 (in the ACT’s EvoEnergy network) and as high as \$620 (in Tasmania’s TasNetworks network).²⁴

²¹ Based on AEMC, 2021 Residential Electricity Price Trends data (EPR0086), Data available at https://www.aemc.gov.au/sites/default/files/2021-11/2021_residential_electricity_price_trends_report.pdf

²² NEM spot prices and wholesale prices in the eastern Australian gas market rose to unprecedented levels in the second quarter of 2022. See AEMO, Quarterly Energy Dynamics Q2 2022, July 2022 at <https://aemo.com.au/-/media/files/major-publications/qed/2022/qed-q2-2022.pdf?la=en>

²³ Ibid.

²⁴ 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.

TABLE 3 | Deduction of bill components for regulated/standing offers, average annual bill based on offers taking effect post July 2022 (6,000kWh per annum, single rate)²⁵

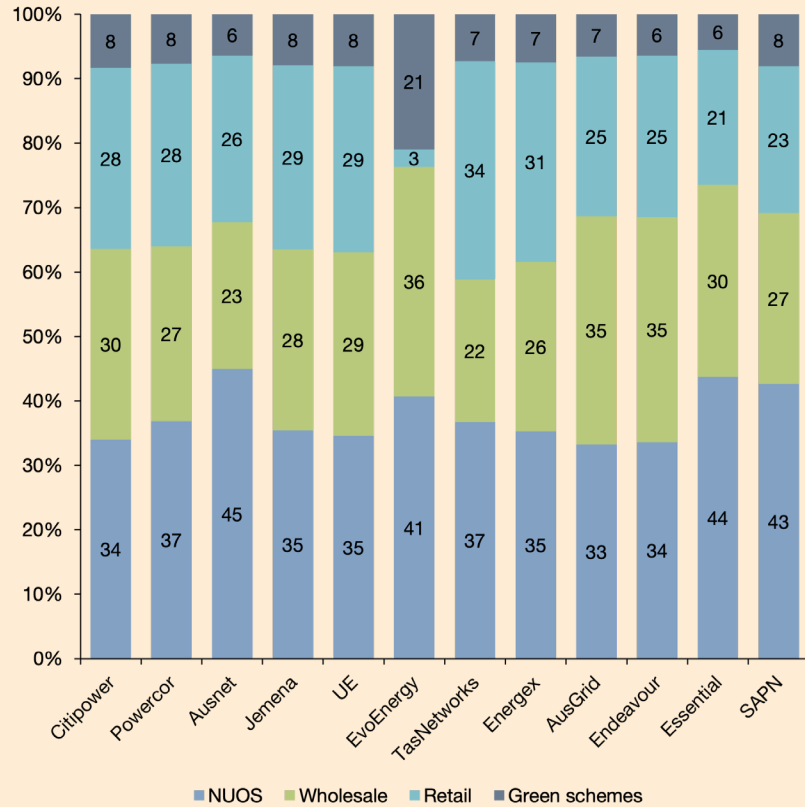
Network	Retail bill incl. GST [^]	Retail bill excl. GST	Retail bill excl. GST and NUOS [*]	Retail bill excl. GST, NUOS and wholesale ^{^^}	Retail bill excl. GST, NUOS, wholesale and “green scheme” costs ^{**}
Citipower	1,726	1,569	1,035	572	441
Powercor	1,877	1,706	1,078	614	483
Ausnet	2,243	2,039	1,122	658	527
Jemena	1,815	1,650	1,066	602	471
UE	1,788	1,625	1,064	600	469
EvoEnergy	2,036	1,851	1,098	438	50
TasNetworks	2,018	1,835	1,161	755	621
Energex	1,977	1,797	1,163	690	556
Ausgrid	2,142	1,947	1,300	611	484
Endeavour	2,173	1,975	1,311	622	495
Essential	2,544	2,313	1,301	612	485
SAPN	2,570	2,336	1,340	721	533
[^] 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 3-34% of the bills paid by households goes to the retailer, which is a wider spread compared to last year when it was 15-31% (a change driven largely by the ACT).**²⁶ The NUOS component of the bill is now proportionally higher than the retail component in all network areas. This discrepancy is most pronounced in Victoria’s Ausnet network, the ACT, NSW (Endeavour and Essential networks) and South Australian (SAPN network). **The ACT (EvoEnergy) continues to have the highest “green scheme” costs, which account for 21% of the total bill (up from 14% in 2021).**

²⁵ This table is based on the same offers used for July 2022 in chart 4 above.

²⁶ 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 2022 (6,000kWh per annum, single rate, excluding GST)²⁷



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, has 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 2022. After deducting GST, NUOS costs, wholesale costs, the cost of environmental policies (“green schemes”), amounts in the final column are negative in the ACT (EvoEnergy) and as high as \$620 in Tasmania (TasNetworks).²⁸ This may indicate 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 market offers compared to regulated/standing offers (except in Tasmania).**

²⁷ This chart is based on the calculation used for table 3 above

²⁸ A negative residual amount in the ACT does not mean that the retailers do not have costs or a margin in this jurisdiction and we emphasise that this is based on average retail bill across all retailers (not weighted for market share). It can, however, indicate that the retail costs/margins are lower in the ACT compared to other jurisdictions. We have also been advised that the NUOS includes some ‘green scheme’ costs in the ACT. 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 2022 (6,000kWh per annum, single rate)

Network	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	1,627	1,479	946	482	351
Powercor	1,770	1,609	981	517	386
Ausnet	2,116	1,923	1,006	543	412
Jemena	1,712	1,556	972	508	377
UE	1,687	1,533	972	508	377
EvoEnergy	1,606	1,460	707	47	-341
Tasnetworks	2,018	1,835	1,161	755	621
Energex	1,838	1,671	1,037	564	430
Ausgrid	1,970	1,791	1,144	455	327
Endeavour	1,999	1,817	1,153	464	336
Essential	2,341	2,128	1,117	428	300
SAPN	2,415	2,195	1,200	580	392

[^] Based on market offers available post July 2022 (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 (chart 6 compared to chart 7). Again, we note that some of the cost components are based on estimates rather than actual, known costs.²⁹



²⁹ Cost of retail includes both retail costs and margins (profits). A negative residual amount in the ACT does not mean that the retailers do not have costs or a margin in this jurisdiction and we emphasise that this is based on average retail bill across all retailers (not weighted for market share). It can, however, indicate that the retail costs/margins are lower in the ACT compared to other jurisdictions.

³⁰ This chart is based on the calculation used for table 4 above

3. Solar offers

This year is the seventh 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).³¹ The analysis presented below is based on 3 kW systems in urban locations and the assumptions applied are shown in table 5.

Key findings include:

- | Annual bills for solar customers have increased in all jurisdictions.
- | Since last year, annual bills for solar customers have increased the most in South East Queensland (\$395) while the smallest increase has been in Tasmania (\$120).
- | The difference between solar and non-solar bills has decreased in many networks in recent years.
- | The average FIT credit paid to households has declined in all jurisdictions and particularly in South Australia and Victoria.

TABLE 5 | Assumptions: Generation capacity and export (%) in capital cities, 3 kW systems³²

Capital city	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.³³

It shows that the average annual bills (calculations based on all retailers' solar market offers) are lowest in Victoria's Citipower network and highest in South Australia's SAPN network.

³¹ 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.

³² 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.

³³ 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 2022, inclusive of pay on time discounts and FIT credits (6,000kWh per annum, single rate, GST incl)

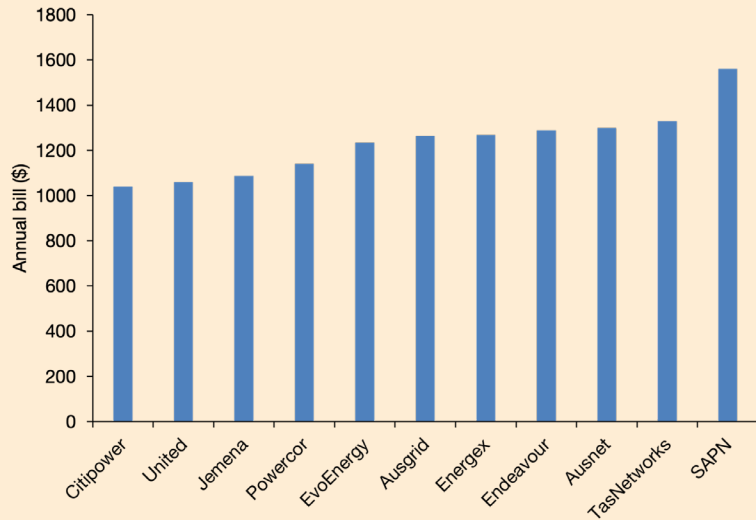


Chart 9 compares annual bills for non-solar customers and solar customers. It shows that the greatest bill difference is in South Australia (\$855) while the smallest difference is in the ACT (\$370). **The difference between solar and non-solar bills has decreased in many networks in recent years. In July 2020 the average difference was \$860, in July 2021 the average difference was \$780, and in July 2022 it is \$655.**

CHART 9 | Annual retail bills for non-solar customers and solar customers post July 2022, inclusive of pay on time discounts and FIT credits (6,000kWh per annum, single rate, GST incl)³⁴

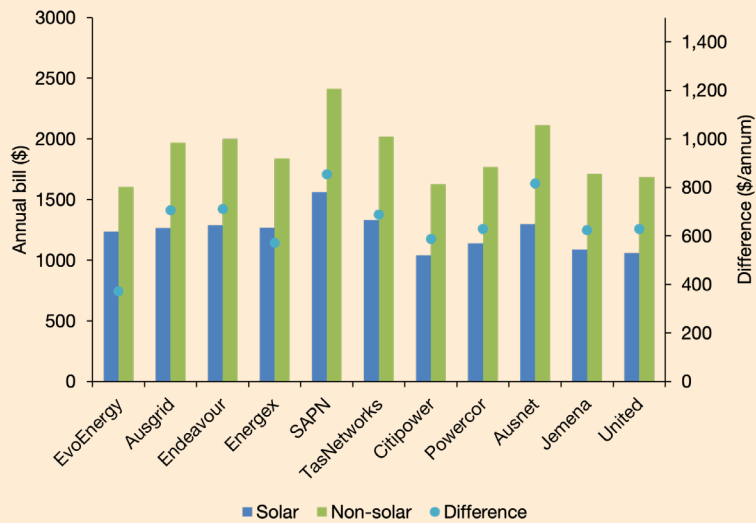
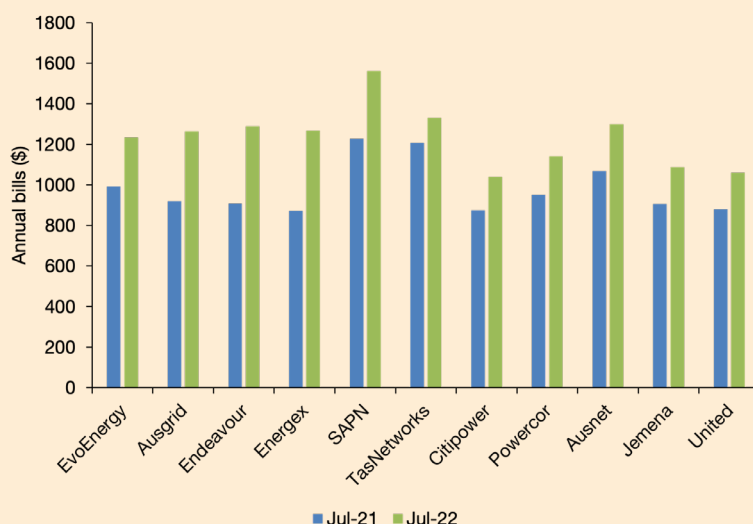


Chart 10 below compares solar bills as of July 2021 to bills post July 2022. It shows that the **annual bills for solar customers have increased in all network areas by an average of \$250. The largest increase has been in Queensland’s Energex network (\$395) and the smallest increase has been in Tasmania’s TasNetworks network (\$120).**

³⁴ 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 | Annual retail bills for solar customers post July 2021 and 2022, inclusive of pay on time discounts and FIT credits (6,000kWh per annum, single rate, GST incl)³⁵



The average FIT credit paid to households has declined in all jurisdictions except Tasmania, where it rose, and New South Wales, where it remained static. The largest decrease was in South Australia (25%). Table 6 below shows average FIT credit as of post July 2021 and post July 2022 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 2021 and July 2022, 6,000kWh per annum, 3 kW system, single rate

Jurisdiction	Average annual FIT credit (\$) post July 2021	Average annual FIT credit (\$) post July 2022	% change
South Australia	\$221	\$165	-25%
ACT	\$219	\$214	-2%
New South Wales	\$201	\$200	0%
Queensland	\$205	\$193	-6%
Victoria	\$174	\$152	-13%
Tasmania	\$144	\$156	8%

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 2022. After deducting GST, NUOS costs, wholesale costs and the cost of environmental policies (“green schemes”), amounts in the final column are positive in all network areas except the ACT (ActewAGL).³⁶ This is a shift from 2021 when only Victorian networks and Tasmania produced positive retail bill components.³⁷ **While a comparison of the residual amount for non-solar households to solar households indicates that the retail component is still higher for non-solar households, it also indicates that the prior significant cross subsidy in the retail component from non-solar households to solar households has decreased or ceased altogether.**

³⁵ 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.

³⁶ A negative residual amount in the ACT does not mean that the retailers do not have costs or a margin in this jurisdiction and we emphasise that this is based on average retail bill across all retailers (not weighted for market share). It can, however, indicate that the retail costs/margins are lower in the ACT compared to other jurisdictions.

³⁷ 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.

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 2022 (6,000kWh per annum, 3 kW system, single rate)³⁸

Network	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	975	887	533	258	180
Powercor	1072	975	544	270	192
Ausnet	1238	1125	547	272	194
Jemena	1021	928	544	270	192
UE	987	898	538	263	185
EvoEnergy	969	881	383	-10	-241
Tasnetworks	1337	1215	690	409	317
Energex	1010	918	464	182	102
Ausgrid	1148	1044	610	199	122
Endeavour	1161	1055	595	184	108
SAPN	1330	1209	540	172	59

[^] Based on solar offers available post July 2022 (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

38 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 analyses price changes and price dispersion in relation to the regulated offers (section 4.1) and market offers as well as price dispersion between the “big three” retailers (section 4.2).³⁹

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 conditional pay on time discounts), as well as changes to standing and market offers since the DMO/VDO took effect.

Key findings include:

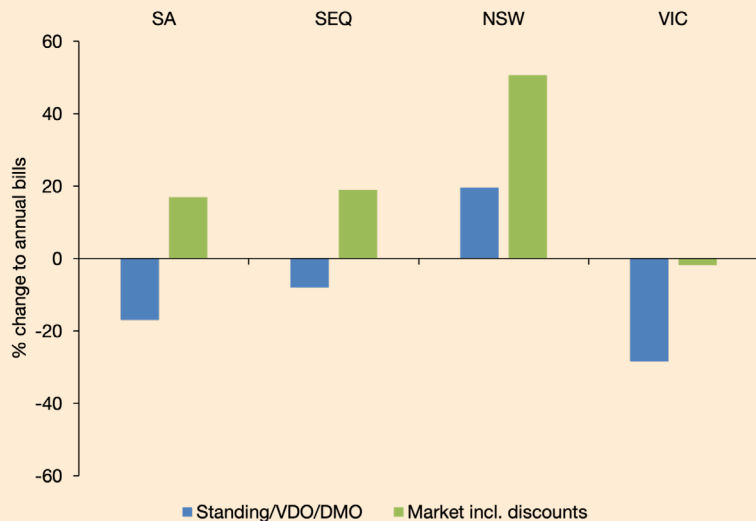
- | Market offer prices have increased in NSW, South Australia and South East Queensland since the DMO took effect, while the standing offer prices decreased in South Australia and South East Queensland over the same period. In NSW, there has been an increase to the standing offer prices albeit less than the increase to market offer prices. In Victoria, on the other hand, there has been a significant decrease to the standing offer prices while there has only been a small decrease to market offer prices.
- | As of July 2022, several market offers produce higher bills than the standing offers although the single best offer is a market offer in all jurisdictions.
- | As of July 2022, it is the small retailers and not the “big three” (AGL, Origin and Energy Australia) that have the best market offers in NSW, South Australia and South East Queensland. In Victoria, on the other hand, some of the best offers are provided by the “big three”.

Chart 11 below shows that **standing offers, on average, have decreased by 17% in South Australia, 8% in South East Queensland and 28% in Victoria after the DMO/VDO took effect in July 2019. In NSW, on the other hand, the average standing offer has increased by 20%.**⁴⁰ The average market offer bill, however, has in some cases increased significantly. In NSW, where the increase is the greatest, the average market offer bill has increased by 51% over this period. In South East Queensland the increase is 19% and in South Australia it is 17%. In Victoria, on the other hand, the average market offer bill inclusive of guaranteed and pay on time discounts has decreased by 2% (compared to 28% for standing offers).

³⁹ The “big three” retailers are AGL, Energy Australia and Origin Energy

⁴⁰ The chart compares average bills (across all retailers/network areas) for household using 6,000 kWh/annum as of July 2022 to bills prior to the DMO and VDO taking effect (billing data collected in January 2019 for Victoria and July 2018 for other jurisdictions)

CHART 11 | Percentage change to average standing offer/DMO/VDO bills and market offer bills (guaranteed and conditional pay on time discounts) post July 2022 compared to bills prior to new regulation taking effect in July 2019. Bill calculations based on 6,000kWh per annum, single rate, GST incl



In NSW, the average DMO bill for households using 6,000 kWh per annum is currently 16-22% more (depending on network area) than the average standing offer bill in July 2018. **For market offers inclusive of discounts, the average bill has increased by 47% in Ausgrid, 52% in Endeavour and 53% 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 2022 compared to bills prior to new regulation taking effect (July 2018). Bill calculations based on 6,000kWh per annum, single rate, GST incl

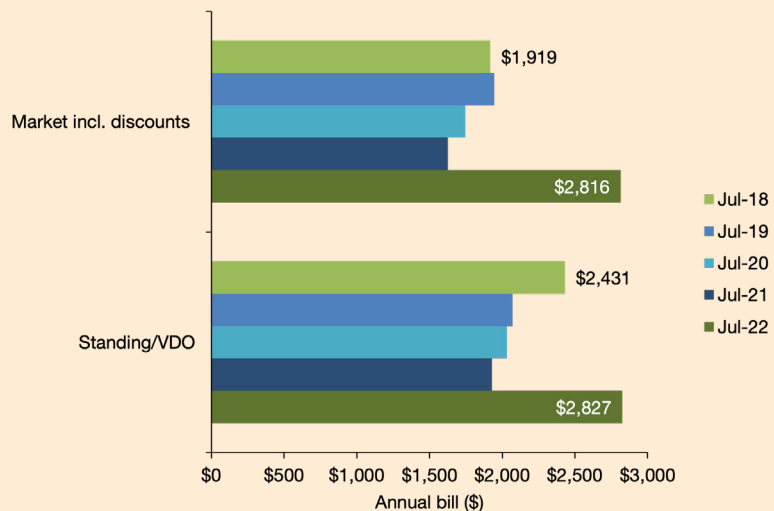


CHART 13 | NSW (Endeavour), change (\$) to average standing offer/DMO/VDO bills and market offer bills (guaranteed and conditional pay on time discounts) as of July 2022 compared to bills prior to new regulation taking effect (July 2018). Bill calculations based on 6,000kWh per annum, single rate, GST incl

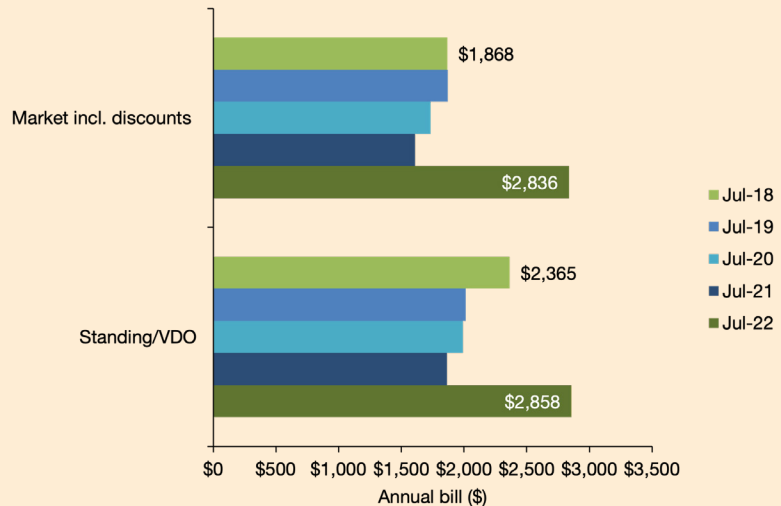
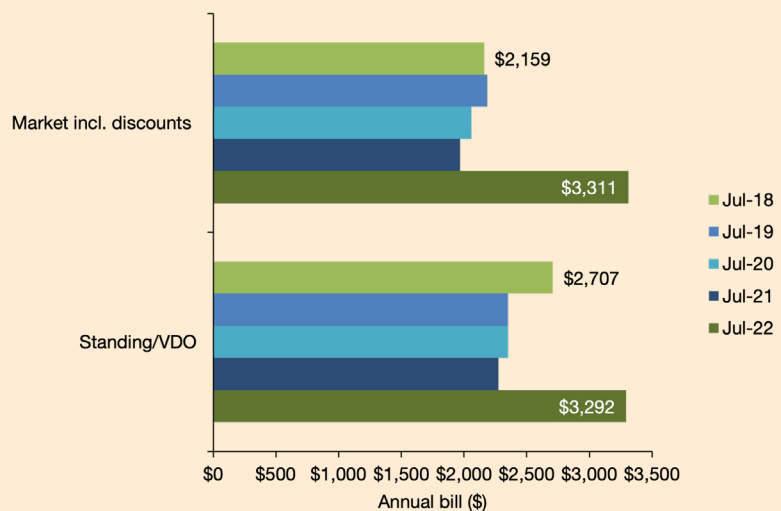


CHART 14 | NSW (Essential), change (\$) to average standing offer/DMO/VDO bills and market offer bills (guaranteed and conditional pay on time discounts) as of July 2022 compared to bills prior to new regulation taking effect (July 2018). Bill calculations based on 6,000kWh per annum, single rate, GST incl



Charts 15 - 17 below show standing offers as of July 2018, DMO offers as of July 2022 and market offers inclusive of discounts (guaranteed and pay on time) as of July 2022 for each network area. They show that all of the current DMO offers produce annual bills that are higher than the best standing offers as of July 2018. Furthermore, they show that **as of July 2022, 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 \$1,895 per annum better off on the best DMO, in Endeavour they would be \$1,870 better off and in the Essential network, the difference between the worst market offer and the best DMO is \$1,980. 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, for example, **the best market offer produces an annual bill that is almost \$170 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 2022, annual market offer bills (guaranteed and conditional pay on time discounts) as of July 2022. Offers shown from lowest to highest for each category. Bill calculations based on 6,000kWh per annum, single rate, GST incl

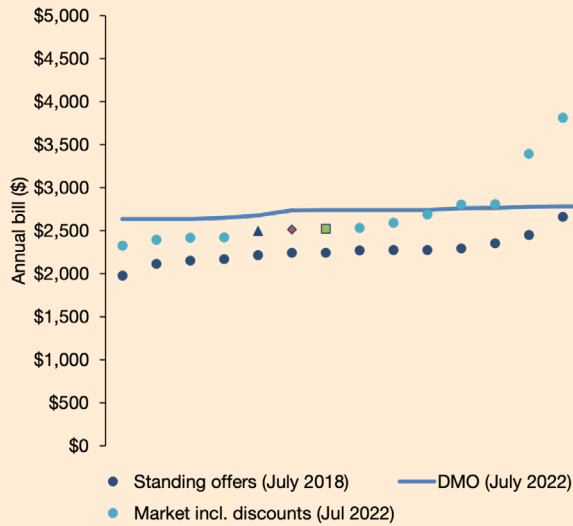


CHART 16 | NSW (Endeavour), Annual standing offer bills as of July 2018, annual DMO bills as of July 2022, annual market offer bills (guaranteed and conditional pay on time discounts) as of July 2022. Offers shown from lowest to highest for each category. Bill calculations based on 6,000kWh per annum, single rate, GST incl

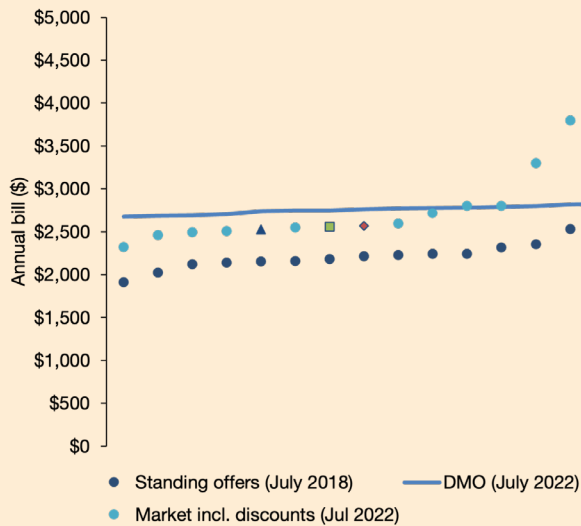
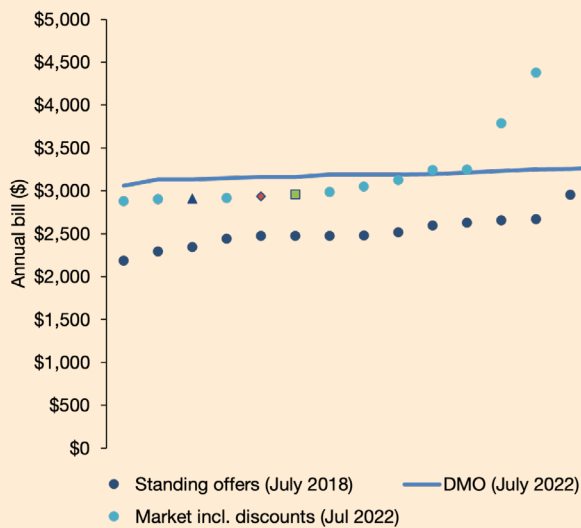


CHART 17 | NSW (Essential), Annual standing offer bills as of July 2018, annual DMO bills as of July 2022, annual market offer bills (guaranteed and conditional pay on time discounts) as of July 2022. Offers shown from lowest to highest for each category. Bill calculations based on 6,000kWh per annum, single rate, GST incl



In Queensland's Energex network, the average DMO bill for households using 6,000 kWh per annum is 8% less than the average standing offer bill in July 2018. **For market offers, however, the average bill is 19% higher than it was in July 2018.** See chart 18.

CHART 18 | Queensland (Energex), change (\$) to average standing offer/DMO/VDO bills and market offer bills (guaranteed and conditional pay on time discounts) as of July 2022 compared to bills prior to new regulation taking effect (July 2018). Bill calculations based on 6,000kWh per annum, single rate, GST incl

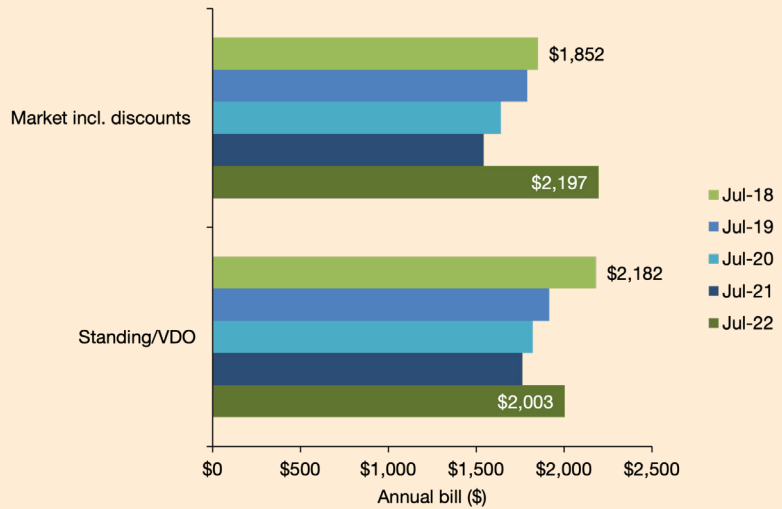
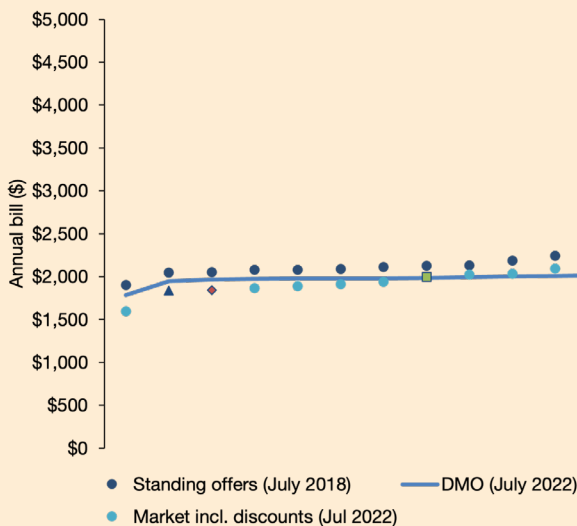


Chart 19 below shows that only one of the current DMO offers produce annual bills that are lower than the best standing offers as of July 2018. Furthermore, it shows that as of July 2022, the best value offer is a market offer and not a DMO offer. However, as in NSW, some market offers produce bills that are higher than the best DMO. Households on the worst market offer would be \$2,555 per annum better off on the best DMO. 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 around \$240 less than the best offer by any of the “big three” (AGL).**

CHART 19 | Queensland (Energex), Annual standing offer bills as of July 2018, annual DMO bills as of July 2022, annual market offer bills (guaranteed and conditional pay on time discounts) as of July 2022. 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 17% less than the average standing offer bill in July 2018. For market offers inclusive of guaranteed and pay on time discounts, however, the average bill has increased by 17%. See chart 20.

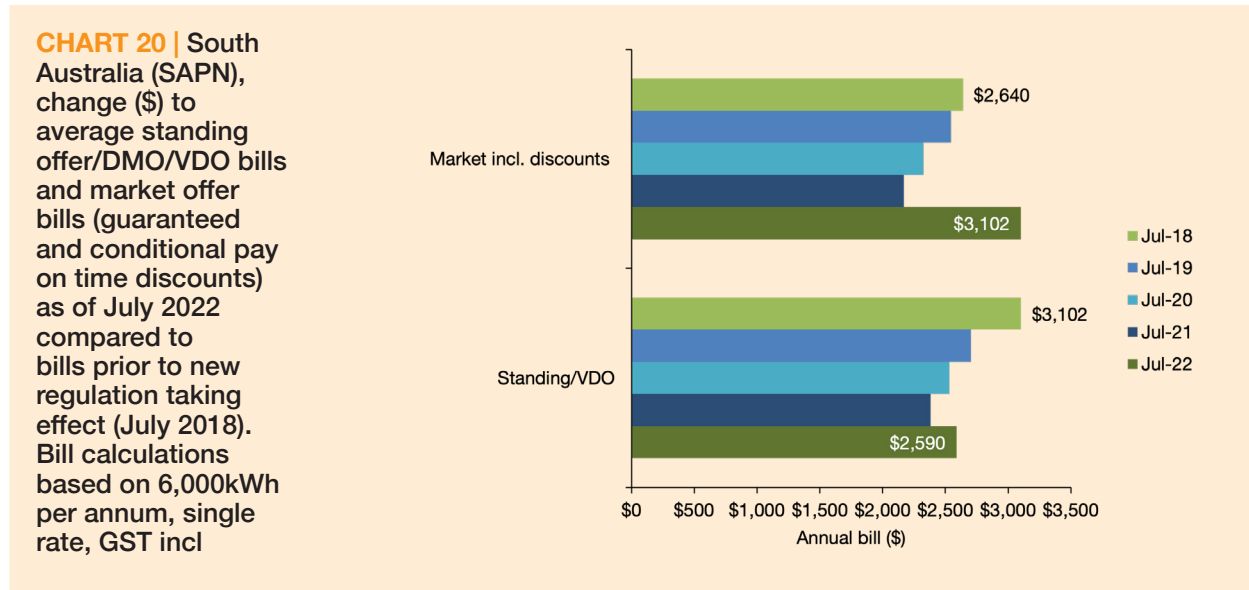
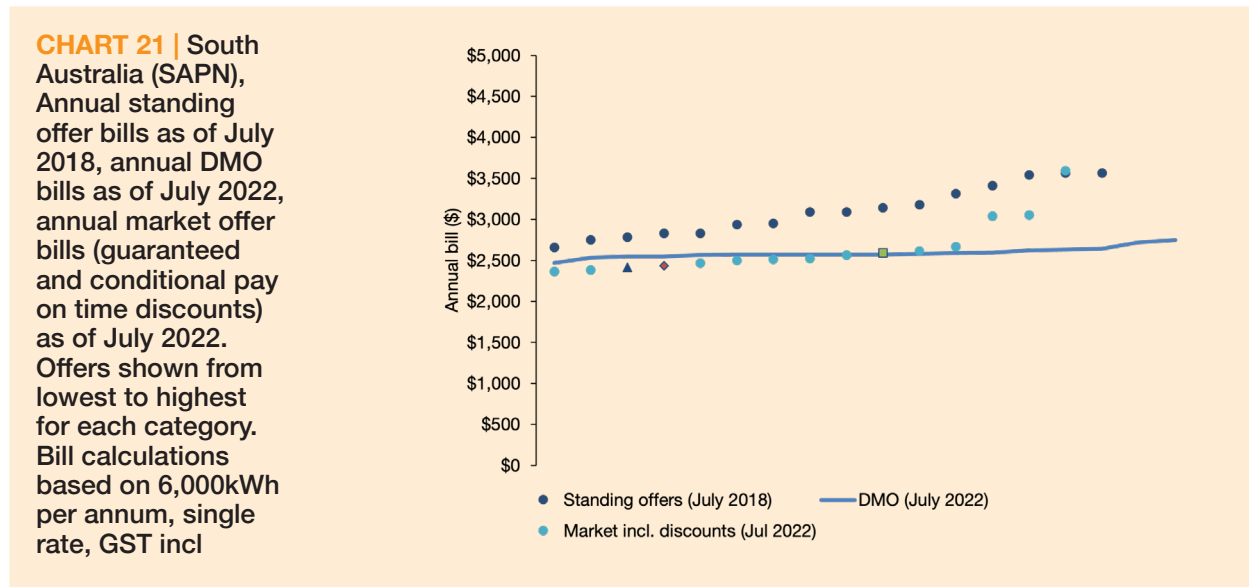


Chart 21 below shows that almost all of the current DMO offers produce annual bills that are lower than the best standing offers as of July 2018. Furthermore, it shows that as of July 2022, the best value offer is a market offer and not a DMO offer. However, as in NSW and Queensland, some market offers produce higher bills than the best DMO. **Households on the worst market offer would be \$1,125 per annum better off on the best DMO.** 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 around \$55 less than the best offer by any of the “big three” (AGL).**



In Victoria, the current VDO bill for households using 6,000 kWh per annum is 23%-31% 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 4% in Jemena, 3% in United Energy and Powercor, remained unchanged in Citipower and increased by 1% in Ausnet. 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 July 2022 compared to bills prior to new regulation taking effect (July 2019). Bill calculations based on 6,000kWh per annum, single rate, GST incl

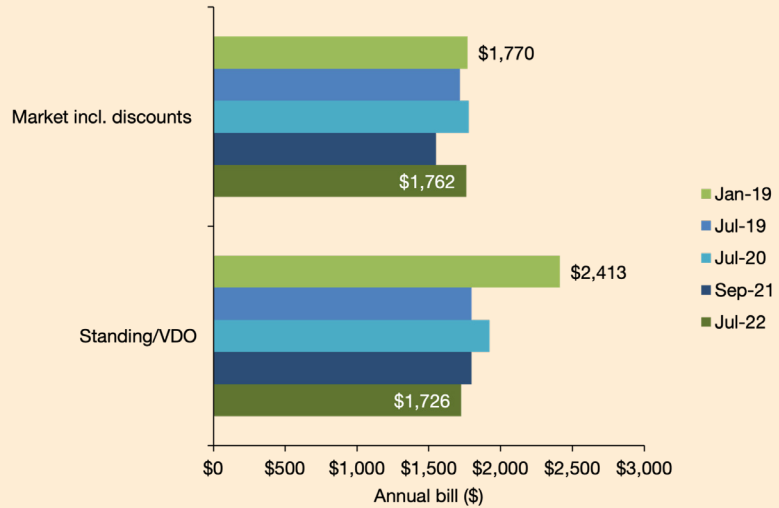


CHART 23 | Victoria (Powercor), change (\$) to average standing offer/DMO/VDO bills and market offer bills (guaranteed and conditional pay on time discounts) as of July 2022 compared to bills prior to new regulation taking effect (July 2019). Bill calculations based on 6,000kWh per annum, single rate, GST incl

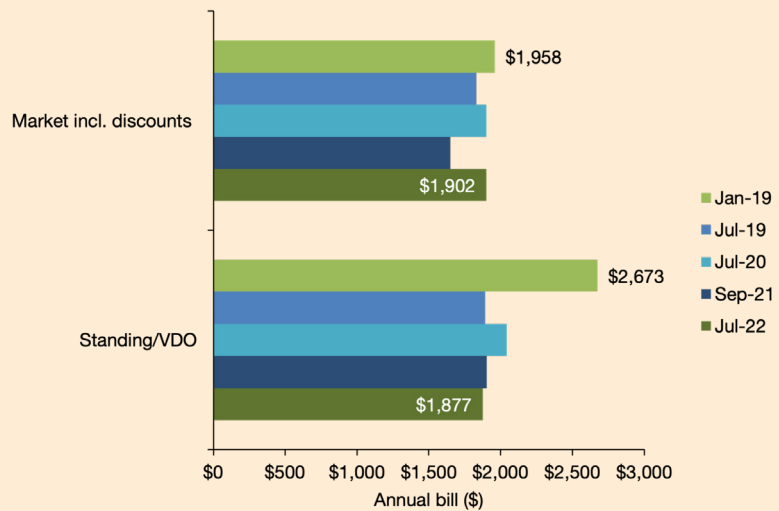


CHART 24 | Victoria (Ausnet), change (\$) to average standing offer/DMO/VDO bills and market offer bills (guaranteed and conditional pay on time discounts) as of July 2022 compared to bills prior to new regulation taking effect (July 2019). Bill calculations based on 6,000kWh per annum, single rate, GST incl

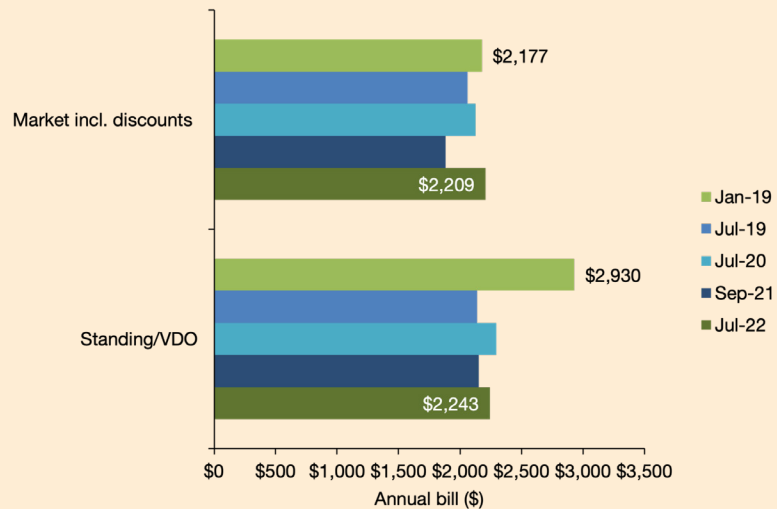


CHART 25 | Victoria (Jemena), change (\$) to average standing offer/DMO/VDO bills and market offer bills (guaranteed and conditional pay on time discounts) as of July 2022 compared to bills prior to new regulation taking effect (July 2019). Bill calculations based on 6,000kWh per annum, single rate, GST incl

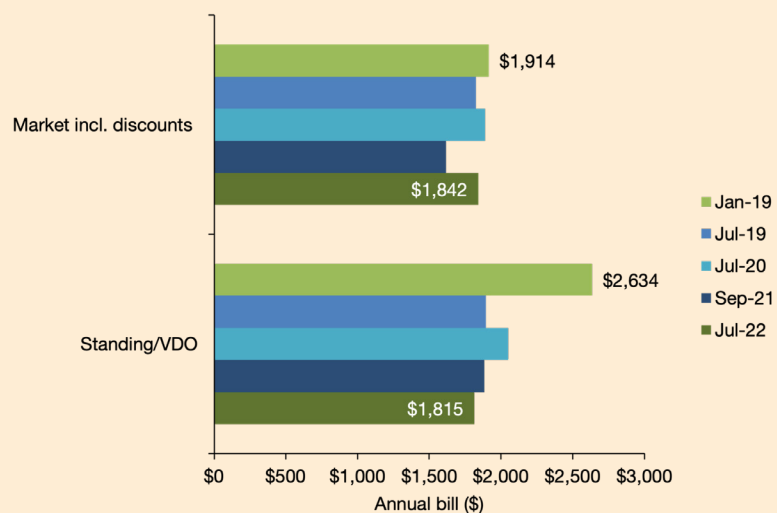
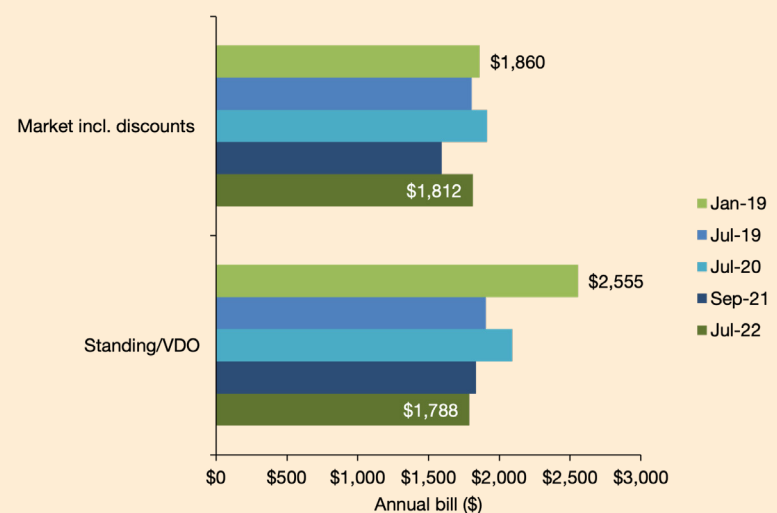


CHART 26 | Victoria (United Energy), change (\$) to average standing offer/DMO/VDO bills and market offer bills (guaranteed and conditional pay on time discounts) as of July 2022 compared to bills prior to new regulation taking effect (July 2019). Bill calculations based on 6,000kWh per annum, single rate, GST incl



There are currently 3 to 4 market offers that produce higher bills than the VDO in each network area. **The single best market offer in each network area produces annual bills that are between \$140 and \$420 less than the VDO.** Furthermore, charts 27 – 31 below show that it is actually two of the “big three” retailers that offer the best market offers in four network areas (AGL and Energy Australia in all networks except Ausnet). 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.

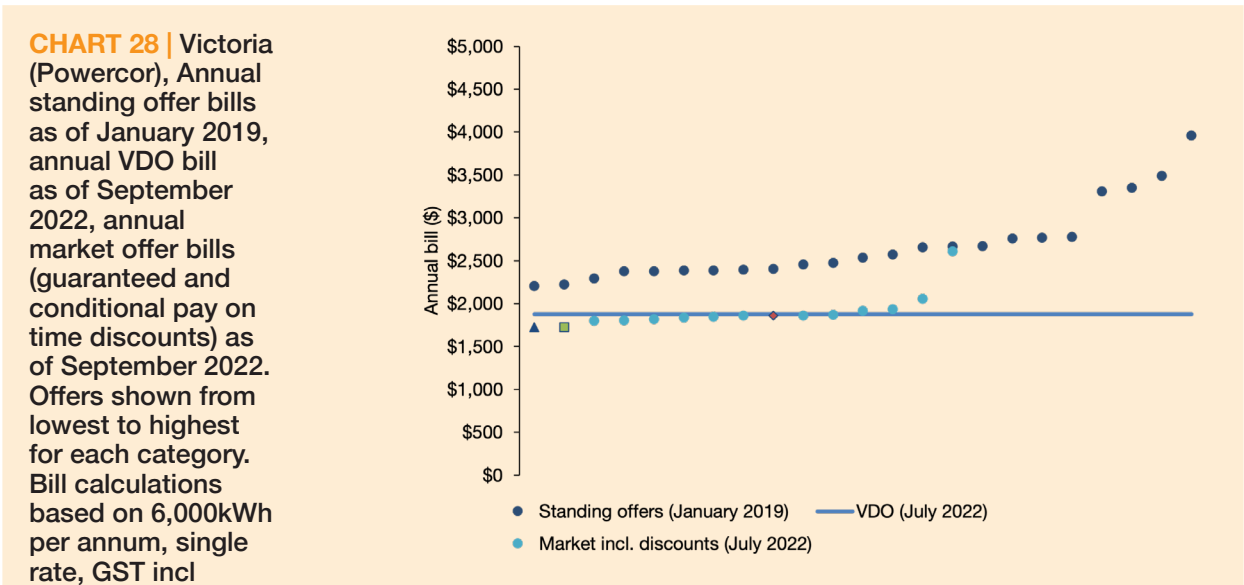
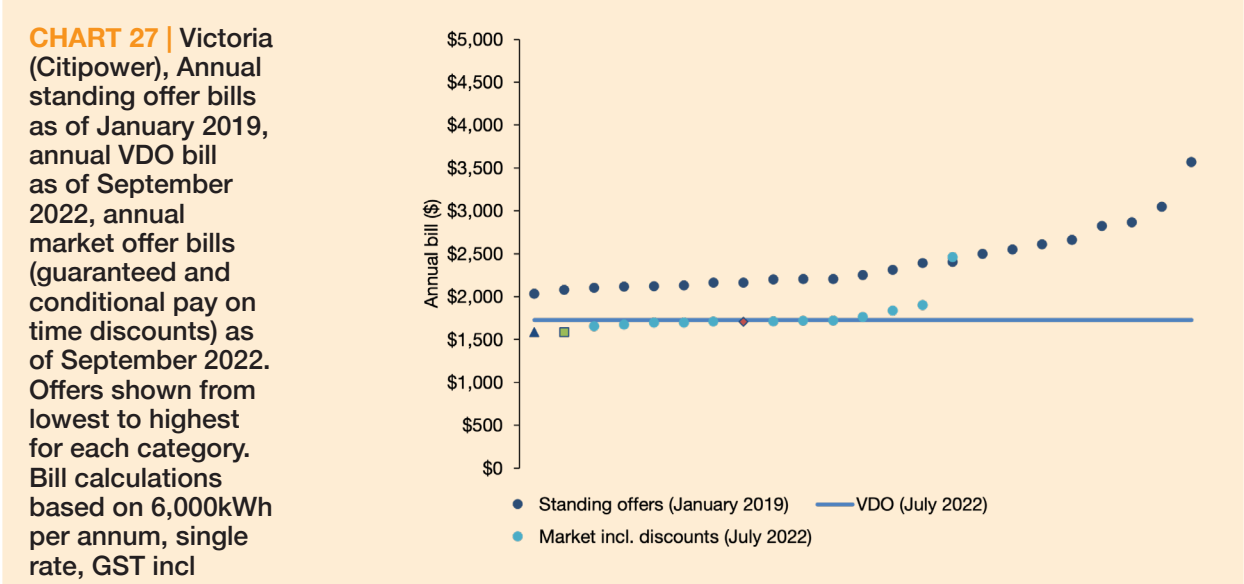


CHART 29 | Victoria (Ausnet), Annual standing offer bills as of January 2019, annual VDO bill as of September 2022, annual market offer bills (guaranteed and conditional pay on time discounts) as of September 2022. Offers shown from lowest to highest for each category. Bill calculations based on 6,000kWh per annum, single rate, GST incl

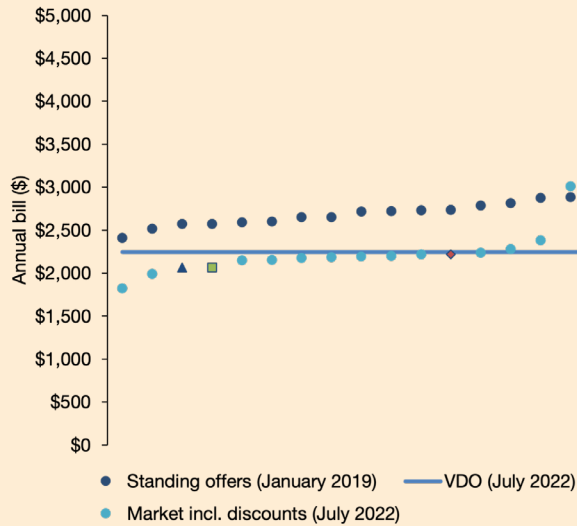


CHART 30 | Victoria (Jemena), Annual standing offer bills as of January 2019, annual VDO bill as of September 2022, annual market offer bills (guaranteed and conditional pay on time discounts) as of September 2022. Offers shown from lowest to highest for each category. Bill calculations based on 6,000kWh per annum, single rate, GST incl

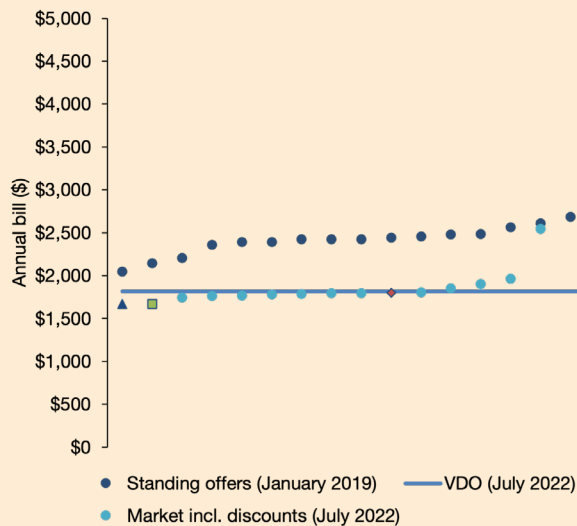
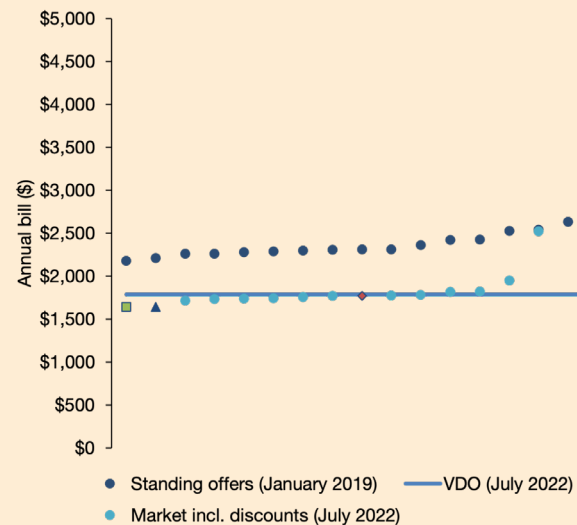


CHART 31 | Victoria (United Energy), Annual standing offer bills as of January 2019, annual VDO bill as of September 2022, annual market offer bills (guaranteed and conditional pay on time discounts) as of September 2022. Offers shown from lowest to highest for each category. Bill calculations based on 6,000kWh per annum, single rate, GST incl



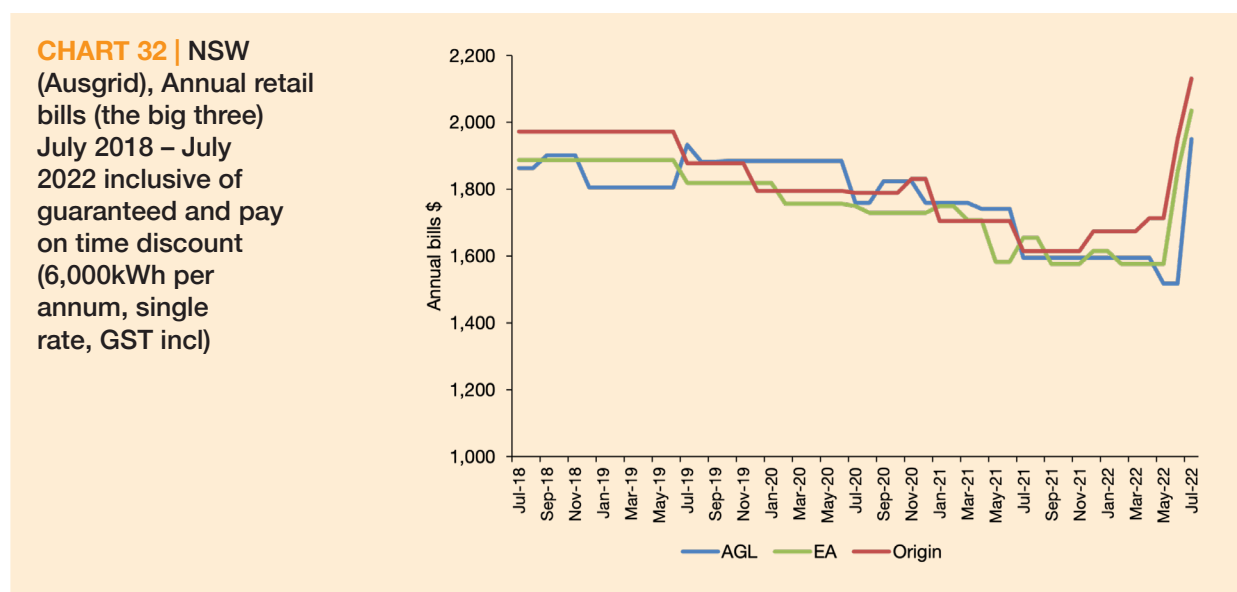
4.2 Price dispersion – the “big three”

This section analyses monthly changes to the “big three” retailers’ (AGL, Energy Australia and Origin) electricity market offers and maximum price dispersion from July 2018 to July 2022 in NSW, Queensland, South Australia and Victoria.⁴¹

Findings include that the difference between the “big three” retailers’ offers vary throughout the year and that price dispersion initially decreased when the DMO/VDO was introduced in July 2019. As of July 2022, the price difference between the “big three” is now greater than it was in July 2019 in all four jurisdictions. Furthermore, it shows that the price-spread between the big three is much lower than the market overall.

Over the last year, the maximum difference between the annual bills produced by the “big three” has been as high as \$430 in NSW (Ausgrid), \$350 in Queensland (Energyx), \$225 in Victoria (Citipower) and \$200 in South Australia. In NSW, Queensland and Victoria the maximum price-spread peaked in June 2022 while the maximum price-spread occurred in July 2022 in South Australia.

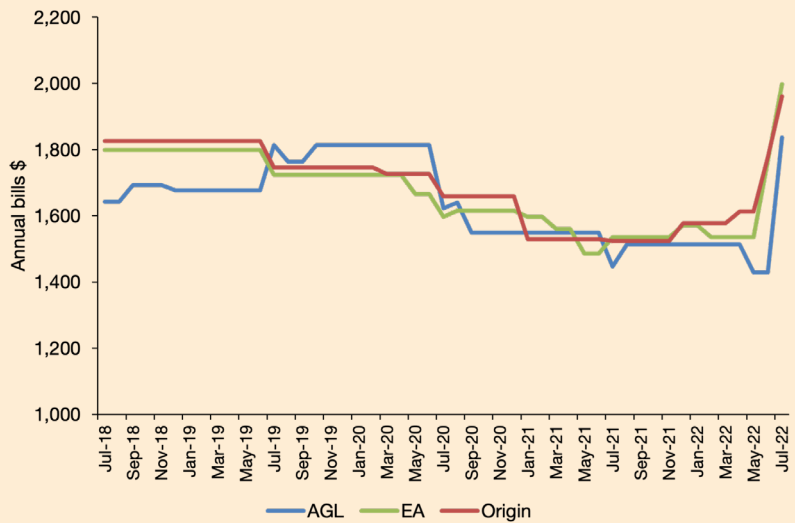
In NSW’s Ausgrid network area, the average maximum price-spread over the last year was approximately \$125. The difference was lowest in September - November 2021 (\$40) and highest in June 2022 (approximately \$430). As of July 2022, the difference was \$180.



⁴¹ 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’, ‘Total Plan’ and ‘Flexi Plan’, for AGL we have used ‘Savers’, ‘Smart Saver’, ‘Essentials Plus’, ‘Essentials Saver’, ‘Super Saver’ and ‘Value Saver’, and for Origin we have used ‘Saver’, ‘Flexi’ and ‘Go’.

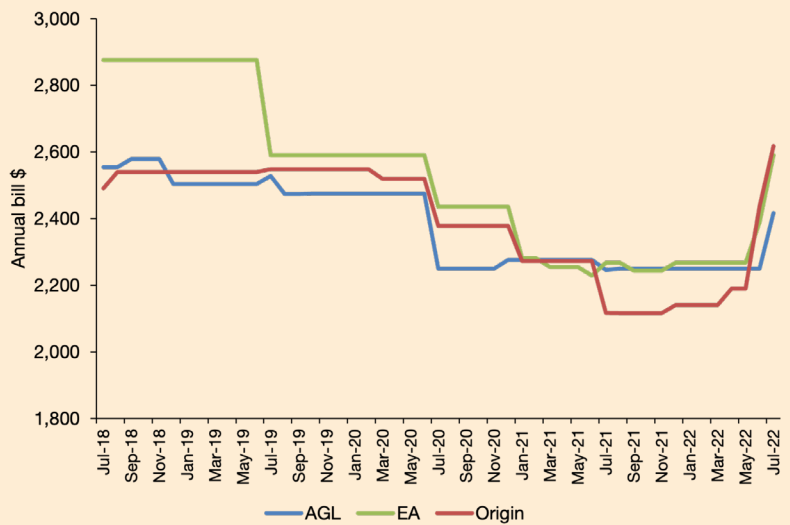
In Queensland's Energex network area, the average maximum price-spread over the last year was around \$95. The difference was lowest in August - November 2021 (approximately \$20) and highest in June 2022 (approximately \$350). As of July 2022, the difference was around \$160.

CHART 33 |
 Queensland (Energex),
 Annual retail bills
 (the big three)
 July 2018 – July
 2022 inclusive of
 guaranteed and pay
 on time discount
 (6,000kWh per
 annum, single
 rate, GST incl)

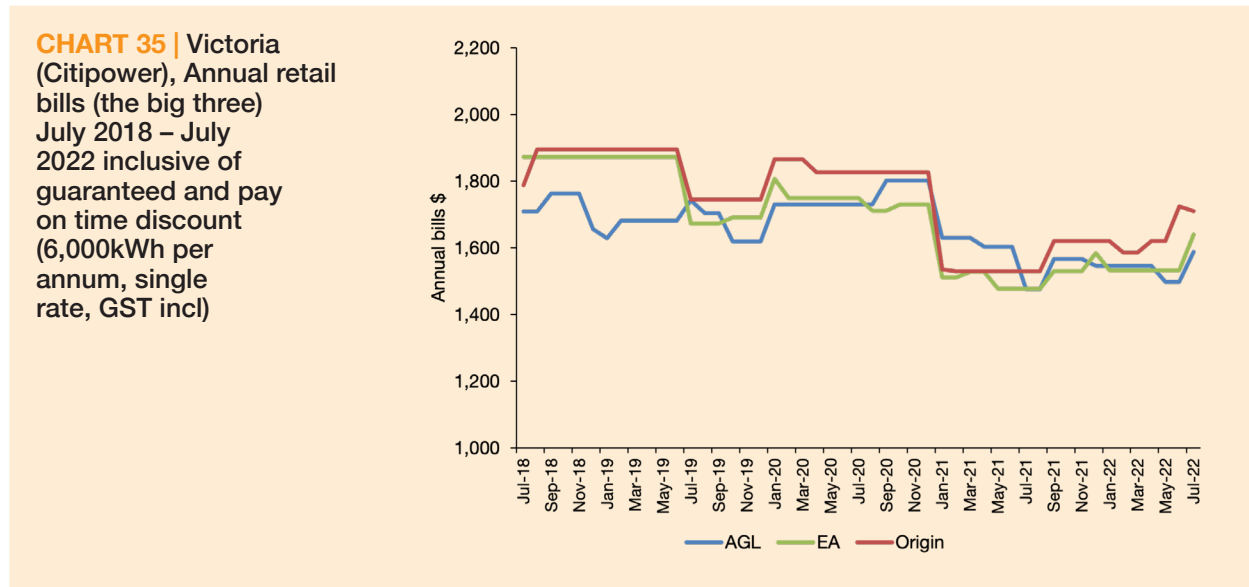


In South Australia, the average maximum price-spread over the last year was \$135. The difference was lowest in April - May 2022 (approximately \$75) and highest in July 2022 (approximately \$200).

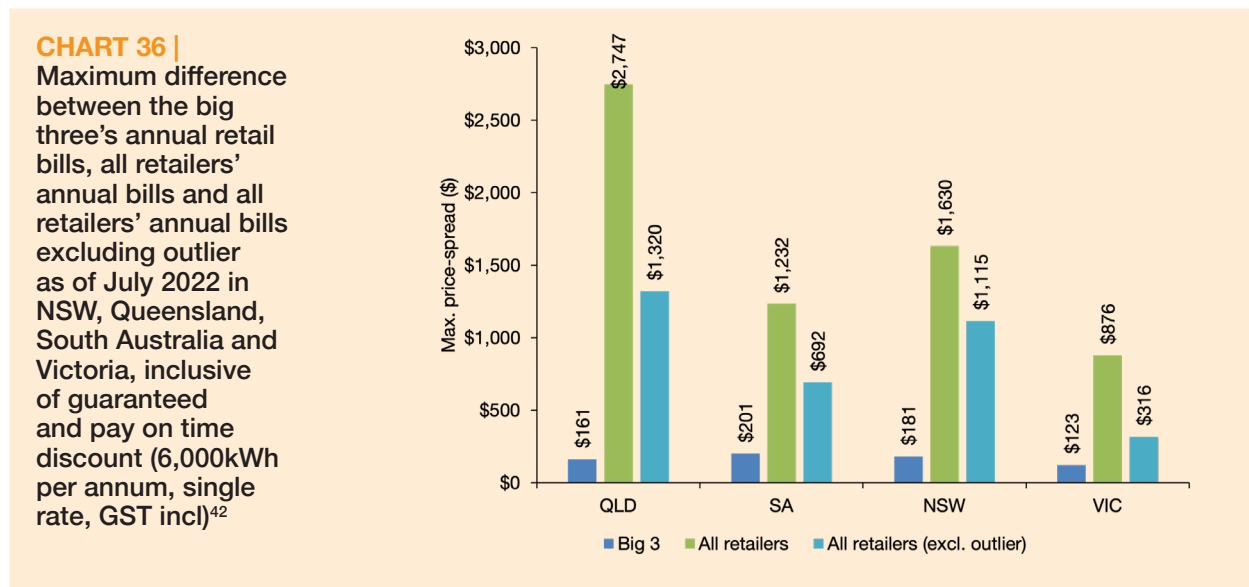
CHART 34 | South
 Australia (SAPN), Annual
 retail bills (the big
 three) July 2018 –
 July 2022 inclusive
 of guaranteed
 and pay on time
 discount (6,000kWh
 per annum, single
 rate, GST incl)



In Victoria's Citipower network, the average maximum price-spread over the last year was approximately \$95. The difference was lowest in February - March 2022 (around \$50) and highest in June 2022 (approximately \$225). As of July 2022, the difference was around \$125.



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 2022. As one retailer (GloBird) had significantly more expensive offers in all jurisdictions in July 2022, the chart also shows the maximum price-spread excluding this retailer. It shows that **the price-spread between the big three is much lower than the market overall**.



⁴² Based on offers in the Energex network in Queensland, SAPN in South Australia, Ausgrid in NSW and Citipower in Victoria.

5. Retailers' responses to a volatile wholesale market

In the second quarter of 2022, electricity and gas wholesale prices increased so significantly they prompted temporary market intervention.⁴³ This section examines some of the retailers' public messaging in June 2022 as well as the impact the volatile wholesale market had on the various retailers' offers from April to August 2022.

Key findings include:

- | Many retailers ceased offering market offers or accepting new customers.
- | Some retailers actively encouraged their customers to find a new retailer.
- | Many of the retailers' communications were quite alarmist in nature.
- | Many retailers warned about delays to customer service timelines due to high demand.
- | Many retailers announcing significant price increases did not clearly refer to the regulated standing offers.

5.1 Various retailer responses

Some retailers failed over this period (e.g. Enova, Power Club, Mojo Power and Social Energy) and triggered Retailer of Last Resort (RoLR) events. Approximately 15,780 residential electricity customers have been transferred to a designated RoLR due to these retailer failures.⁴⁴ Some retailers ceased publishing market offers (e.g. Momentum, Covau, Alinta) and while some of these retailers have since re-entered the market with new offers others are still not accepting new customers. Other retailers continued to publish offers but at a price well above the average retail market offer (e.g. GloBird and ReAmped). Some of these retailers have since published new market offers with more competitive rates. Finally, two retailers, Bright Spark Power and Powerdirect, decided to surrender their retailer authorisations.⁴⁵

Chart 37 below shows number of retailers with published market offers each month from April to August 2022 in the various jurisdictions.⁴⁶ It shows that **the number of retailers declined significantly in June and July 2022 and that some retailers returned in August**. In South East Queensland, for example, there were 35 retailers with offers in April, 31 in May, 15 in June, 12 in July and 14 in August.

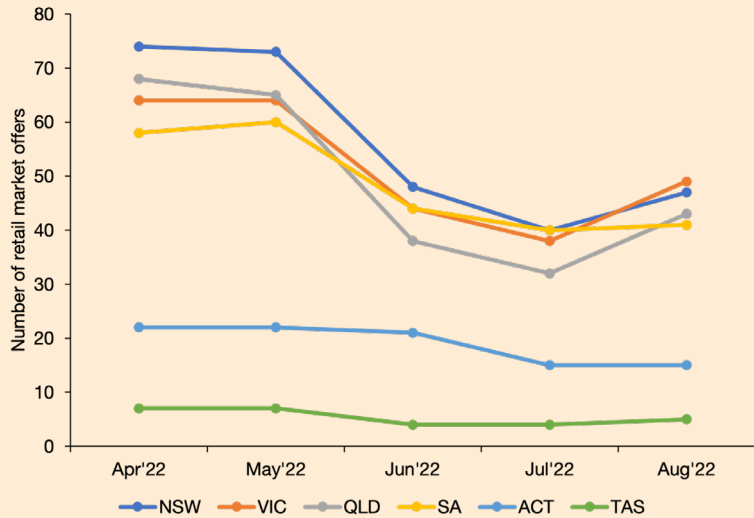
⁴³ NEM spot prices and wholesale prices in the eastern Australian gas market rose to unprecedented levels in the second quarter of 2022. See AEMO, Quarterly Energy Dynamics Q2 2022, July 2022 at <https://aemo.com.au/-/media/files/major-publications/qed/2022/qed-q2-2022.pdf?la=en>

⁴⁴ Based on figures in AER's statements about RoLR events for Social Energy, Mojo Power, Power Club, Enova Energy and Pooled Energy.

⁴⁵ AER, AER approves Bright Spark Power Pty Ltd's application to surrender its electricity retailer authorisation, 15 August 2022 and AER approves Powerdirect's application to surrender its electricity retailer authorisation, 16 September 2022

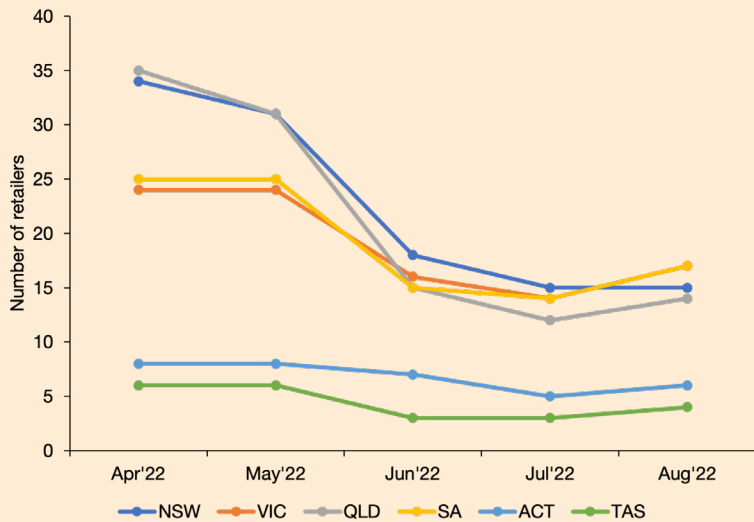
⁴⁶ This data was collected in the middle of each month and we note that some retailers may have had published market offers at different times during this period. In NSW the numbers are based on the Ausgrid network, in Victoria the Citipower network and in Queensland the Energex network.

CHART 37 | Number of electricity retailers with published market offers from April to August 2022



As fewer retailers published market offers there was a naturally steep decline in the number of market offers customers could choose between. However, as some of the retailers that remained competitive during this period increased their number of offers there has been an uptick in the total number of offers available in Queensland, NSW and Victoria in August 2022. AGL, for example, doubled their numbers of offers in these jurisdictions to offer additional incentives to customers not currently on an AGL contract. Chart 38 below shows the trend in the number of published market offers from April to August 2022. In NSW (Ausgrid network), for example, there were 74 offers available in April, 73 in May, 48 in June, 40 in July and 47 in August.

CHART 38 | Number of published electricity market offers from April to August 2022



5.1.1 Retailers encouraging customers to leave

As of June 2022 it became increasingly clear that many retailers were discouraging new customers as well as encouraging existing customers to find different providers.

Glow Power, for example, issued a fairly alarming “important information” statement on their website urging their customers to leave as soon as possible:

“As we indicated in emails sent out recently, we are encouraging you to seek a better offer with other Energy Retailers while they exist. This is as a result of the significant increase in wholesale energy prices that we forced to buy in the current market. These retailers can be found on the website www.energymadeeasy.com.au. We have always tried to provide you with a competitive price in the market, and we appreciate you providing us with your custom, but with the current market conditions, we are no longer able to do that. Transferring to another retailer will take some of your cost of living pressures off your electricity bills as we are increasing our rates in 5 days from this notice from this notice [sic] by up to 400% depending upon your state and electricity distributor. Please do not wait to change your retailer as the existing lower rates with some retailers may not last. You may have a current bill from us to pay and are likely to receive another up to the date you transfer to a new retailer that must be paid also so please do not cancel your direct debit authorities. We look forward to making new offering in the market when the rates come back to a more acceptable level. Until then, we thank you again for being a GlowPower customer. The GlowPower Team. June 6, 2022.”⁴⁷

As of 31 August 2022 Glow Power were still not publishing market offers.

Glow Power had just 350 residential electricity customers in the 3rd quarter of 2021/22.⁴⁸

ReAmped Energy posted a lengthy statement on their website on 1 June 2022 that encouraged customers to leave the company with some urgency:

“If you stay with ReAmped, your bills could increase significantly in the weeks and months ahead. We know you joined us because you wanted a better deal and we believe we’ve had a hugely positive impact on the retail market, putting downward pressure on prices. We are proud of that, and we want to be honest with you about the current situation. Now is a good time to consider to switching to save money on your electricity bills while good deals are still available. Despite the issues in the wholesale market, some retailers with different operational structures remain very price-competitive and there are still some great deals to be found.”⁴⁹

ReAmped ceased publishing market offers for a brief period before publishing new offers with substantially higher rates.⁵⁰ However, their website as of 1 September still states that they do not accept new customers: “Our aim is to make it better for our customers with great rates, however due to the market volatility, we can’t right now. We’re not taking on new customers currently, but we’ll be back!”⁵¹

⁴⁷ From Glow Power’s website 12 June 2022.

⁴⁸ AER, Quarter 3, 2021-22 retail performance data, schedule 2, Indicators s2.1ai & s2.2ai, S2.6. Glow Power does not operate in the Victorian market.

⁴⁹ From ReAmped Energy’s website 12 June 2022.

⁵⁰ See charts in section 5.2 below.

⁵¹ From ReAmped Energy’s website 1 September 2022.

ReAmped had almost 42,000 non-Victorian residential electricity customers in the 3rd quarter of 2021/22, having almost doubled their customer base over the previous year.⁵²

Elysian Energy posted on their website:

“Sadly we are not currently accepting new customers in this location. We encourage you to explore the market offers available at Victorian Energy Compare or Energy Made Easy to find a plan that best fit your budget and energy needs. Thanks for your interest and stay tuned!”⁵³

Elysian Energy ceased publishing market offers for a brief period before publishing new offers with substantially higher rates in August. In September 2022, Elysian Energy failed and triggered a RoLR event.

Elysian Energy had almost 5,050 non-Victorian residential electricity customers in the 3rd quarter of 2021/22, up from around 430 in the previous year.⁵⁴ They also had around 6,800 customers in Victoria (as of June 2020).⁵⁵

On **Discover Energy**'s website the statement was:

“Unfortunately, today the message we want to convey to you is that we are currently not the most competitive electricity and gas retailer in the market. We encourage you to do your market research to find the best possible plan to suit your needs and if you happen to find a better alternative to Discover Energy at this point, we understand your need to switch providers.”⁵⁶

As of 31 August 2022 Discover Energy were still not publishing market offers.

Discover Energy had around 8,500 non-Victorian residential electricity customers in the 3rd quarter of 2021/22, up from around 4,800 in the previous year.⁵⁷

Radian Energy's statement explained that the only options were to double their prices or leave the market:

*“When we started Radian Energy, the goal was to help everyday Australians minimise the financial and environmental cost of their energy. With the current volatility in the energy market, we can no longer achieve this goal and have made the heartbreaking decision to either raise our pricing by **over double** or exit the residential and small business market. This price increase will take effect from **Friday 17th of June**.”⁵⁸*

⁵² AER, Quarter 3, 2021-22 retail performance data, schedule 2, Indicators s2.1ai & s2.2ai, S2.6. Note that the AER data does not include Victoria and there are no recent figures on ReAmped customer numbers in Victoria available.

⁵³ From Elysian Energy's website 12 June 2022.

⁵⁴ AER, Quarter 3, 2021-22 retail performance data, schedule 2, Indicators s2.1ai & s2.2ai, S2.6. Note that the AER data does not include Victoria.

⁵⁵ ESC, Victorian Energy Market Report 2019-20, December 2020, 20

⁵⁶ From Discover Energy's website 12 June 2022.

⁵⁷ AER, Quarter 3, 2021-22 retail performance data, schedule 2, Indicators s2.1ai & s2.2ai, S2.6. Note that the AER data does not include Victoria and there are no recent figures on Discover Energy customer numbers in Victoria available.

⁵⁸ From Radian Energy's website 12 June 2022.

As of 1 September 2022 Radian Energy were not accepting new customers with their website stating: “Even though we are currently not taking any new energy retail customers, Radian will continue to lead the charge to a 100% renewable future.”⁵⁹

Radian Energy only had around 360 residential electricity customers in the 3rd quarter of 2021/22.⁶⁰

Energy Locals took the opportunity to criticise the actions of their competitors. They posted a lengthy statement from their CEO titled “What the hell is going on with energy prices?” where he sought to explain the reason for price increases. He was also critical of retailers that encouraged their customers to find new providers stating:

*“We understand ReAmped, Discover, LPE, Energyinabox [sic], and others have asked customers to leave them. For this to happen I can only imagine that some of these retailers were exposed to short-term wholesale energy prices, which is like chucking your customers’ money on a roulette table and hoping for the best. Be assured that we’re not going anywhere and we won’t be asking our members to find someone new.”*⁶¹

Energy Locals published new offers with higher rates in August 2022.⁶²

Energy Locals had almost 33,000 non-Victorian residential electricity customers in the 3rd quarter of 2021/22, an increase of around 3,000 customers over the prior year.⁶³ **They also had around 3,100 customers in Victoria (as of June 2020).**⁶⁴

5.1.2 Retailers not accepting new customers or delaying transfers

On **Nectr’s** website the message was that they would wait until accepting new customers:

*“The Australian energy market has hit a new record and it is not one to applaud! With rapidly rising wholesale electricity prices forcing many retailers to ask their customers to choose another supplier, Nectr has seen unprecedented demand for its products. In order to protect our existing customers from price increases, we have temporarily placed a hold on accepting new customers for our electricity plans.”*⁶⁵

In mid-August 2022, Nectr published new market offers with higher rates and presumably started accepting new customers again.

Nectr had almost 20,000 residential electricity customers in the 3rd quarter of 2021/22.⁶⁶

⁵⁹ From Radian Energy’s website 1 September 2022.

⁶⁰ AER, Quarter 3, 2021-22 retail performance data, schedule 2, Indicators s2.1ai & s2.2ai, S2.6. Radian Energy does not operate in the Victorian market.

⁶¹ From Energy Locals’ website 12 June 2022.

⁶² See charts in section 5.2 below.

⁶³ AER, Quarter 3, 2021-22 retail performance data, schedule 2, Indicators s2.1ai & s2.2ai, S2.6. Note that the AER data does not include Victoria.

⁶⁴ ESC, Victorian Energy Market Report 2019-20, December 2020, 20

⁶⁵ From Nectr’s website 12 June 2022.

⁶⁶ AER, Quarter 3, 2021-22 retail performance data, schedule 2, Indicators s2.1ai & s2.2ai, S2.6. Nectr does not operate in the Victorian market

Diamond Energy's announcement focused on delaying the transfer of new customers because the new regulated rates had not yet taken effect (although we note that the new rates had been published):

*"With significant increases in wholesale electricity prices, the government regulatory bodies have announced increases to the benchmark electricity prices. We are expecting to increase our rates and amend our discounts and solar feed in tariffs. If you are seeking to switch to us from another electricity retailer, we will delay your transfer until we notify you of our new rates."*⁶⁷

Diamond Energy published new offers with higher rates, in most jurisdictions, in July 2022.⁶⁸

Diamond Energy had almost 10,800 non-Victorian residential electricity customers in the 3rd quarter of 2021/22, an increase of around 1,000 customers on the year prior.⁶⁹ They also had around 3,400 customers in Victoria (as of June 2020).⁷⁰

Dodo simply withdrew some of its offers by stating: "We're sorry, our market offers in QLD & SA are not available right now."⁷¹ Similarly, **Momentum Energy**'s website stated: "Sorry, our market offers aren't available right now."⁷² On **QEnergy**'s website the statement read: "Currently all Market Offers are on hold. As you may be aware there is significant movement and volatility in the wholesale electricity market, and this is impacting our ability to offer competitive pricing at this time."⁷³

As of 1 September 2022 Dodo were still not offering plans in Queensland and South Australia and Momentum and QEnergy's market offers were also on hold.

Dodo had over 50,200 non-Victorian residential electricity customers in the 3rd quarter of 2021/22 (an increase from the previous year) and 44,500 Victorian customers (as of June 2020). Momentum had around 31,100 non-Victorian customers (a decrease from the previous year) and 106,800 Victorian customers. QEnergy had around 4,200 non-Victorian customers (a slight decrease compared to the previous year) and 500 Victorian customers.⁷⁴

5.1.3 Retailers warning of delays to customer support services

Numerous retailers have warned, and continue to warn, customers of long wait times if they wanted to contact them. **Elysian Energy** stated:

*"Dear customers, our support service line is currently experiencing longer than usual wait times due to high volume of calls. We apologise for the inconvenience and appreciate your patience. If you have questions related to our upcoming price change, please do not hesitate to contact us through our live chat or send us an email."*⁷⁵

⁶⁷ From Diamond Energy's website 13 June 2022.

⁶⁸ See charts in section 5.2 below.

⁶⁹ AER, Quarter 3, 2021-22 retail performance data, schedule 2, Indicators s2.1ai & s2.2ai, S2.6. Note that the AER data does not include Victoria.

⁷⁰ ESC, Victorian Energy Market Report 2019-20, December 2020, 20

⁷¹ From Dodo's website 13 June 2022.

⁷² From Momentum Energy's website 12 June 2022.

⁷³ From QEnergy's website 12 June 2022.

⁷⁴ AER, Quarter 3, 2021-22 retail performance data, schedule 2, Indicators s2.1ai & s2.2ai, S2.6 and ESC, Victorian Energy Market Report 2019-20, December 2020, 20.

⁷⁵ From Elysian Energy's website 13 June 2022.

Lumo Energy's website encouraged customers to utilise online tools:

*"We are experiencing high traffic volumes to our contact centre. We apologise for the delay. You can learn about our plans and sign up right [here](#). If you are a Lumo customer you can view and access your bills and much more in [MyAccount](#)."*⁷⁶

Energy Australia's message was similar to that of Lumo's:

*"We are currently experiencing delays across all our online chat and call centres. You can avoid wait times by using [My Account](#) portal or, [sign up](#) to a new energy plan online in minutes."*⁷⁷

As of 1 September 2022, Energy Australia had removed its warning of delays while Lumo Energy was apparently still experiencing delays:

*"We are experiencing high traffic volumes to our contact centre. We apologise for the delay. If you are looking for your NMI (National Metering Identifier), Account Number or Meter Number you can find this information on the second page of your bill. You can access your bills in [MyAccount](#)."*⁷⁸

Discover Energy is another retailer that was struggling to handle the demand:

*"We are experiencing extremely high call volumes and are unable to answer calls in a reasonable timeframe. Please only call for urgent matters. For general enquiries, please email... and we will reply as soon as we can. We apologise for the inconvenience."*⁷⁹

Other retailers that were warning about delays as of 1 September 2022 include **Red Energy**, **Alinta** and **QEnergy**.⁸⁰

5.2 Price changes to the published offers

As mentioned above, some retailers continued offering market offers during this period albeit at a significantly higher rate. Other retailers continued to offer competitively priced rates. This section analyses changes to selected retailers' market offers as annual bills as of April, June and August 2022.⁸¹ It shows that while some retailers increased their prices between April and June 2022, the majority introduced price increases between June and August. Only one retailer, GloBird, increased its prices significantly between April and June before decreasing prices between June and August.

Charts 39 - 44 below show selected retailers' market offers as annual bills as of April, June and August 2022 for each of the jurisdictions.⁸²

In NSW (Ausgrid), GloBird increased its 'GloSave' market offer by \$1,120 in June 2022 before reducing it by \$965 in August. The overall increase to the annual bill from April to August was thus around \$160 which is the lowest overall increase compared to the other retailers. ReAmped

⁷⁶ From Lumo Energy's website 13 June 2022.

⁷⁷ From Energy Australia's website 13 June 2022.

⁷⁸ From Lumo Energy's website 1 September 2022.

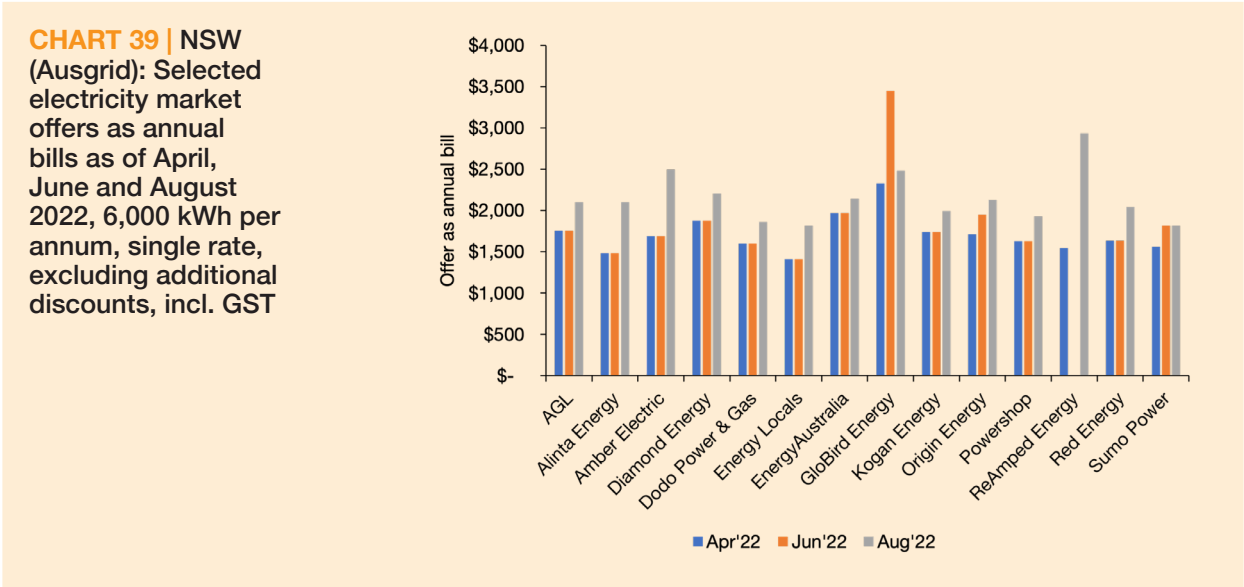
⁷⁹ From Discover Energy's website 1 September 2022.

⁸⁰ Based on Red Energy, Alinta and QEnergy's websites as of 1 September 2022.

⁸¹ The selected retailers are those that had the same offers/products over the period.

⁸² Only retailers that had the same offers (product names) over this period have been included in this analysis. The annual bills are based on an annual consumption of 6,000 kWh (single rate) and do not include any additional discounts. In NSW the offers are from the Ausgrid network, in Victoria the Citipower network and in Queensland the Energex network. Note that as these are prices as of April, June and August 2022 (and the change may have occurred at any time between these data collection points).

Energy ceased offering its ‘Classic’ offer in June 2022 but increased its prices significantly in August. The overall annual bill was \$1,390 more in August compared to April. Origin Energy is the only retailer that increased its bills in June as well as August. Origin Energy’s ‘Go’ offer increased by \$235 in June and by \$180 in August, resulting in an overall price increase of \$415. Amber Electric and Alinta Energy are examples of two retailers with significant overall price increases of \$810 and \$615 respectively. Energy Australia’s ‘Basic’ offer had the lowest overall price increase, after GloBird, of \$170. See chart 39.

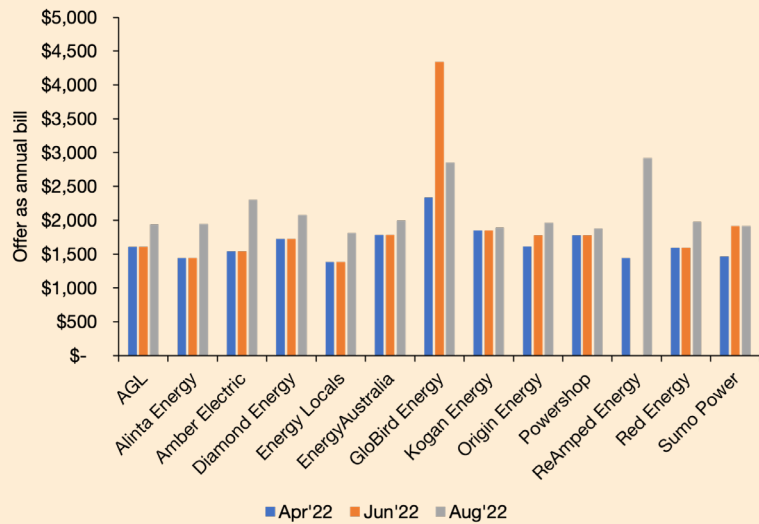


In Victoria (Citipower), GloBird increased its ‘GloSave’ market offer by \$645 in June 2022 before reducing it by \$705 in August. This resulted in an overall decrease to the annual bill from April to August of \$60. Amber Electric and Energy Australia are also retailers that decreased their bills between April and August 2022. ReAmped Energy ceased offering its ‘Classic’ offer in June 2022 but increased its prices in August. The overall annual bill was \$385 more in August compared to April. Lumo Energy is the retailer with the most significant overall price increase of \$705. See chart 40.



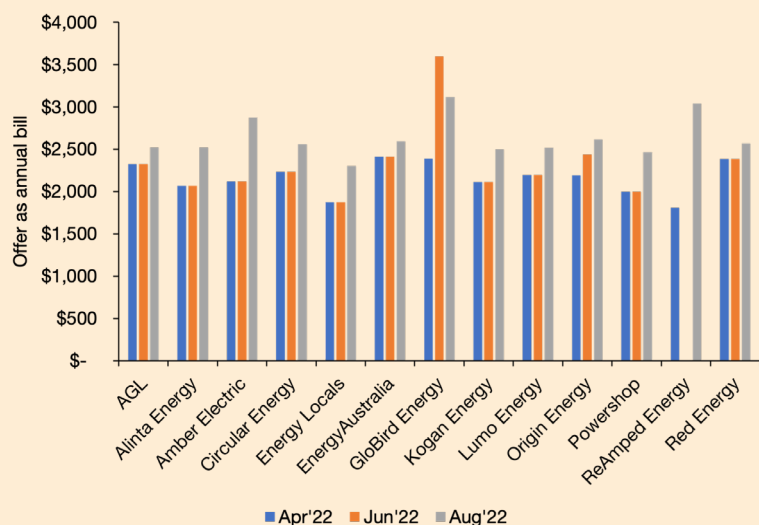
In Queensland (Energex), GloBird increased its 'GloSave' market offer by \$2,000 in June 2022 before reducing it by \$1,490 in August. The overall increase to the annual bill from April to August was thus around \$510. As in other jurisdictions, ReAmped Energy ceased offering in June 2022 but increased its prices significantly in August. The overall annual bill was \$1,470 more in August compared to April. Origin Energy is the only retailer that increased its bills in June as well as August 2022. Origin Energy's 'Go' offer increased by \$165 in June and by \$185 in August, resulting in an overall price increase of \$350. Amber Electric and Alinta Energy are examples of two retailers with significant overall price increases of \$760 and \$500 respectively. Kogan Energy's 'First' offer had the lowest overall price increase at \$40. See chart 41.

CHART 41 | Queensland (Energex): Selected electricity market offers as annual bills as of April, June and August 2022, 6,000 kWh per annum, single rate, excluding additional discounts, incl. GST

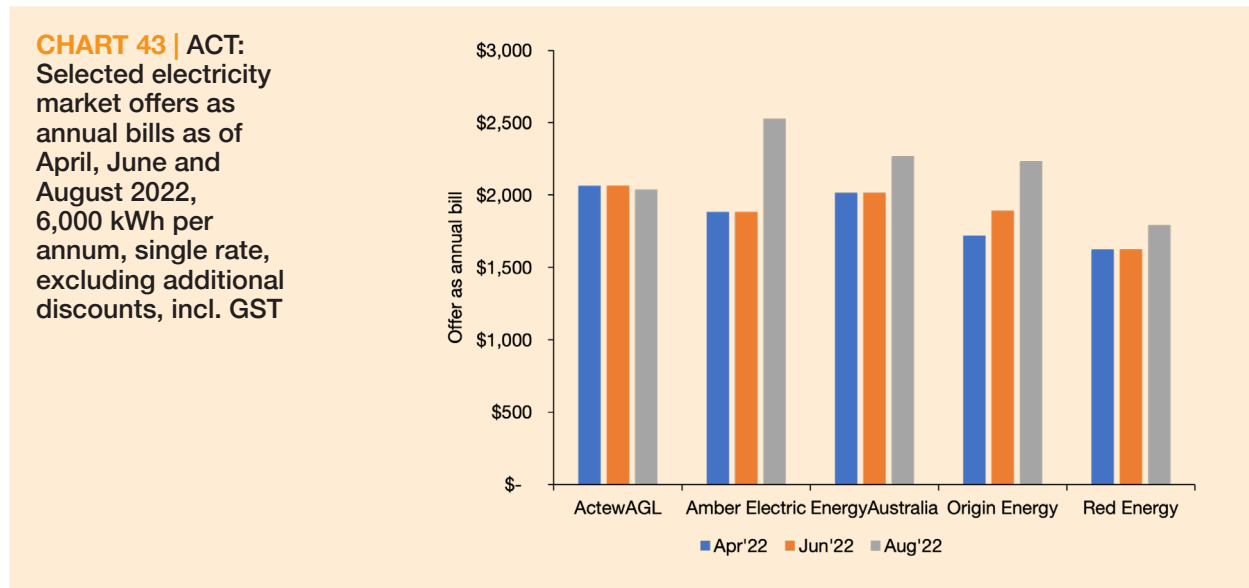


In South Australia, GloBird increased its 'GloSave' market offer by \$1,210 in June 2022 before reducing it by \$480 in August. The overall increase to the annual bill from April to August was thus around \$730. As in other jurisdictions, ReAmped Energy ceased offering in June 2022 but increased its prices significantly in August. The overall annual bill was \$1,235 more in August compared to April. Again, Origin Energy is the only retailer that increased its bills in June as well as August 2022. Origin Energy's 'Go' offer increased by \$245 in June and by \$180 in August, resulting in an overall price increase of \$425. Amber Electric is another retailer with a significant overall price increase at \$755. Energy Australia's 'Basic' offer had the lowest overall price increase at \$180. See chart 42.

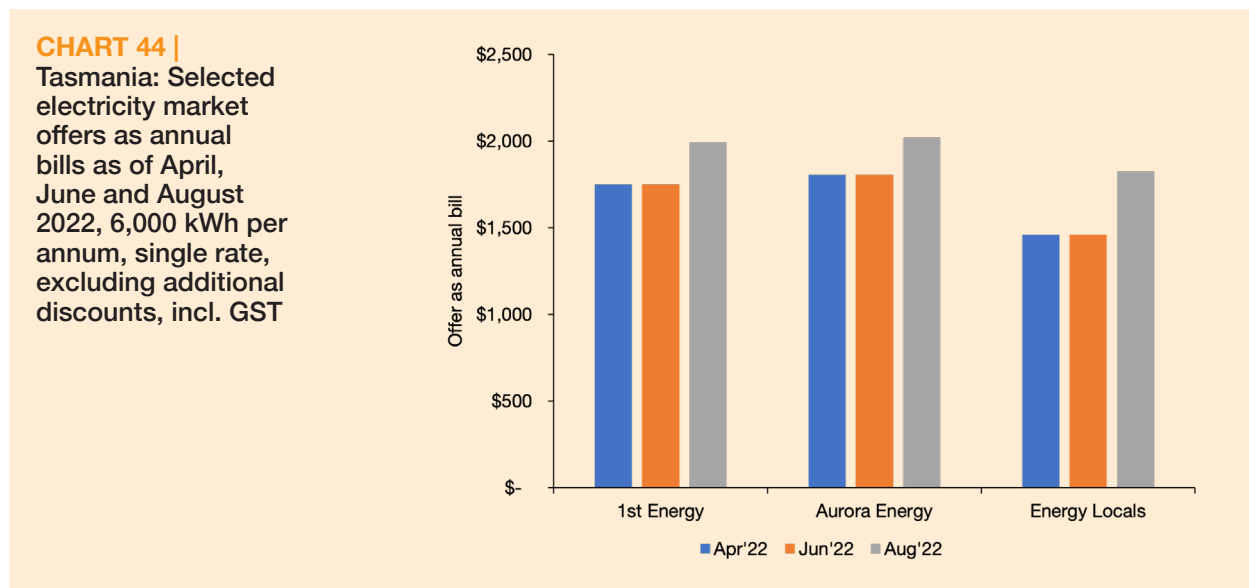
CHART 42 | South Australia: Selected electricity market offers as annual bills as of April, June and August 2022, 6,000 kWh per annum, single rate, excluding additional discounts, incl. GST



In the ACT, all retailers except ActewAGL increased their prices between April and August 2022. Amber Electric had the greatest overall price increase over the period at \$640 while Red Energy’s ‘Living Energy Saver’ had the lowest increase (\$170). Again, Origin Energy’s ‘Go’ offer increased twice during the period. In June it increased by \$170 and in August by \$340. Origin’s overall price increase in the ACT is thus of \$510. See chart 43.



In Tasmania, all retailers increased their prices between April and August 2022. Energy Locals (‘Local Member’) had the greatest overall price increase over the period at \$365 while Aurora Energy had the lowest increase (\$215). See chart 44.



5.3 Customer and market impacts

A key role of the retailers is to manage the risk of price volatility in the wholesale market on behalf of their customers.⁸³ Retailers use various approaches to manage risk in the wholesale market including internal contracting (e.g. vertical generation), external contracting (e.g. active trading or load following hedging) and passing through cost to their customers.

The AEMC's latest competition review indicates that there are some variations between jurisdictions in terms of the retailers' approach to managing wholesale risk. In South East Queensland, for example, only 25% of retailers said they used internal contracting to manage risk while 33% used pass through of wholesale costs to customers. The most common form for managing risk was to use external contracting either through active trading (58%) or load following hedging (50%). In Victoria, on the other hand, 42% used internal contracting and only 25% used pass through. 33% of retailers used active trading while a similar proportion as in Queensland (50%) used load following hedging.⁸⁴

We are concerned about the impact the volatile wholesale market, and subsequently some retailers' responses, would have had on many customers. Noting this occurred at a time when many households were already facing cost of living pressures due to inflation and interest rate hikes, the alarmist messaging from some retailers could have caused significant stress for customers that would have had varied capacity to respond. The combination of being asked to leave the retailer (or face dramatic price increases), numerous retailers ceasing to take on new customers and difficulty in contacting existing or new retailers due to call centre delays would have increased customers search costs as well as contributed to a sense of scarcity.

All customers had the right to access a standing offer but the retailers that warned their customers of price rises or asked them to leave did not mention the standing offers in their statements. While we acknowledge and understand the seriousness of the situation that many retailers found themselves in and that offering the regulated rate was an unviable option to some, we note that the AER and ACCC wrote to energy retailers on 10 June 2022 and explicitly reminded them of their obligation to inform customers about standing offers:

"Retailers need to ensure that they are adequately informing customers of critical information relating to standing offers, which can then assist customers in making informed choices."⁸⁵

Smaller retailers typically have none or very few customers on the regulated standing offer. As of the 3rd quarter of 2021/22, ReAmped, Radian, GloBird, Energy Locals, Amber Electric and Electricity in a Box had no non-Victorian customers on the DMO. For other retailers, such as Diamond Energy and Discover Energy, more than 97% of their customers were on market offer contracts.⁸⁶ However, having few to no standing offer customers does not make them exempt from offering these contracts should their customers request it. **While the DMO did increase on 1 July 2022, the increases were nothing like the up to 400% increase announced by Glow Power or the doubling of prices announced by Radian.**⁸⁷

⁸³ See, for example, AER, State of the Energy Market, 2021, 242

⁸⁴ AEMC, 2020 Retail Energy Competition Review, Microsite (Information found under "Explore by jurisdiction" and "Additional information"). Note that the AEMC states that these survey results should be seen as indicative but should not be relied upon as definitive. <https://2020.aemc.gov.au/competition-review/>

⁸⁵ AER and ACCC, Retailer obligations and promotion of competition and consumer protection in the National Electricity Market, 10 June 2022 at https://www.aer.gov.au/system/files/correspondence-to-retailers-aer-and-accc-chairs-10-june-2022_0.pdf

⁸⁶ AER, Quarter 3, 2021-22 retail performance data, schedule 2, Indicators s2.1ai & s2.2ai, S2.6. Note that the AER data does not include Victoria.

⁸⁷ From Glow Power and Radian Energy's websites 12 June 2022.

For retail market competition more broadly, we are concerned about the impact this event will have on concentration of market share as well as customer confidence in retailers. Many of the smaller retailers increased their market share between the 3rd quarter of 2020/21 and the 3rd quarter of 2021/22.⁸⁸ For example, Elysian Energy went from having 428 non-Victorian customers to 5043 customers over one year (an increase of 1078%), ReAmped increased its non-Victorian customer base by 92%, GloBird by 87% and Glow Power by 62%. Some large-to medium-sized retailers, on the other hand, lost customers over this period. Energy Australia lost around 18,800 non-Victorian customers (2%) and Origin Energy lost approximately 10,100 customers (1%). Simply Energy and Momentum Energy's customer numbers reduced by 4% and Powershop lost 8% of its customers over this period. With some of these smaller retailers now either having failed or asked their customers to leave since June 2022, we expect that the big retailers' market share will increase again. Furthermore, the recent events may have resulted in a customer perception of a two-tiered retail market made up of "blue chip" retailers and more "speculative" retailers. Customers that are asked to leave, or have been subject to a RoLR event, may be more hesitant in signing up with a smaller retailer in the future. Previously, in 2021, customer perceptions of a so-called supply risk was described as a misunderstanding by the Victorian Essential Services Commission as follows:

"Some customers may incorrectly believe the lights will go out with a smaller retailer, also known as a supply risk. While supply risks are minimally impacted by the retailer, it is natural for customers to incorrectly link supply reliability and retailer choice."⁸⁹

We believe, however, that **many of the retailers' recent responses to price volatility in the wholesale market can contribute to a genuine sense of smaller retailers carrying a form of supply risk.**

Finally, the developments over the last few months indicate that the number of retailers in the market is not necessarily an effective metric for assessing competition. If a significant proportion of the licenced retailers simply stop making offers available, refuse to take on new customers or price themselves out of the competitive market as soon as trading conditions become unfavourable, an increasing number of retailers cannot be automatically linked to improved competition or consumer outcomes

In our view, **the retailers' responses to the volatile wholesale market raises issues pertaining to the purpose of the standing offers, the model for setting standing offer prices, consumer awareness and obligations on retailers to inform customers of standing offer products.**

The assumption has been that the standing offers provide a security net for customers unwilling or unable to participate in the market. Since the re-regulation of electricity standing offers in most jurisdictions in July 2019, the regulators have sought to ensure that these customers are offered a fair price as well as creating a reference price that can be used as a benchmark for assessing market offers. **The assumption has also been that customers engaging in the market will be on better offers than the standing offer.**

However, as per the findings presented in this report, many recent market offer products have been more expensive than the standing offers. This means that some customers may have been better off if they had requested their retailer to put them on the standing offer. In order for this to occur, however, customers would need to know about their rights to access the standing offer. Again, as the assumption has always been that customers on standing offer contracts would pay more, this message has not been prioritised.

⁸⁸ AER, Quarter 3, 2021-22 retail performance data, schedule 2, Indicators s2.1ai & s2.2ai, S2.6. Note that the AER data does not include Victoria.

⁸⁹ ESC, Victorian Energy Market Report 2020-21, November 2021, 14

This situation has highlighted a lack of clarity regarding the purpose of standing offers and the most urgent task is thus to clearly determine what this purpose actually is.

On the one hand, this purpose may be to provide a safety net that ensures all customers (not just those that are unwilling or unable to participate in the market) can access an electricity offer at a set, regulated rate. If this is what we want, consumer awareness would need to be improved and obligations on retailers to communicate and provide this option would need to be strengthened. Such obligations should subsequently also inform the retailers' hedging positions as they would have to factor in the risk that customers may prefer to be on the standing offer contract. The strategy of passing through the costs to customers would be less viable if they knew customers were likely to opt for the standing offer. In regards to the current arrangements for setting standing offer prices, the VDO would be a more suitable model for this purpose as it actually caps the price retailers can charge standing offer customers.

On the other hand, the purpose of standing offers may be determined more narrowly as a protection only for those people unable or unwilling to participate in the market. The regulated price is thus merely there to ensure that unengaged customers are not unreasonably taken advantage of. Under such an arrangement retailers know they would not be required to take on a large number of customers at the regulated rate and this would in turn inform their wholesale risk assessment. The regulated price would still be published and could therefore be used as a reference, or benchmark, for comparison of market offers. If we do not want customers that have engaged with the market to access these regulated prices, broader consumer awareness and obligations on retailers to communicate and provide standing offer options would not be required. In regards to the current arrangements for setting standing offer prices, the DMO would be a more suitable model for this purpose as it simply provides a benchmark bill for a set consumption level.

In our view, we need to clarify the purpose of the standing offers in order to determine price setting mechanisms, consumer information strategies and retailers' obligations. We should also be mindful of the impacts the settings would have for retailers' risk assessments, hedging strategies and market competitiveness (including barriers to entry). We note that the five recently failed retailers were all standalone retailers (not vertically integrated with generation or arm's length integrated), they all offered electricity only (no gas), and all five of them had offers in "DMO jurisdictions" while just two of them also had offers in Victoria (the "VDO jurisdiction").