

ENERGY RETAIL PRICES IN SOUTH AUSTRALIA

Ministerial Pricing Report 2013

August 2013



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GLOSSARY OF TERMS

AER	Australian Energy Regulator
Commission	Essential Services Commission of South Australia
FiT	Feed in Tariff
GJ	Gigajoule
Minister	Minister for Mineral Resources and Energy
Ministerial Pricing Report	Annual report required by Electricity (General) Regulations 2012, regulation 12 and the Gas Regulations 2012, regulation 6
MWh	Megawatt-hour
NECF	National Energy Customer Framework
NERL	National Energy Retail Law, Schedule to the <i>National Energy Retail Law (South Australia) Act 2011</i>
NERL retailers	Energy retailers authorised to sell electricity to customers under the <i>National Energy Retail Law (South Australia) Act 2011</i>
PV	Photovoltaic
WEC	Wholesale Electricity Cost

EXECUTIVE SUMMARY

The Minister for Mineral Resources and Energy has requested that the Essential Services Commission of South Australia (**the Commission**) publish a report by 31 August 2013 on energy retail prices that were generally available to South Australian residential and small business customers during 2012/13. The Commission has published this report to fulfil that requirement.

This is the first Ministerial Pricing Report on energy retail prices prepared by the Commission. It provides information on “Standing Contract”, “Standing Offer” and “Market Offer” prices that have applied since 1 July 2012. AGL was required to make available the Standing Contract to all customers until 31 January 2013. Standing Offers are those which an energy retailer must make available to customers for which it is a designated retailer.¹ The requirement for retailers to have a Standing Offer commenced on 1 February 2013, as part of the National Energy Customer Framework (NECF). In addition to Standing Offers, energy retailers may have a range of other “market” offers, which are usually priced below retailers’ Standing Offers. The vast majority of consumers purchase electricity under Market Offers. There is no obligation on energy retailers to make available a Market Offer to all customers.

The Commission has examined Standing Offer and Market Offer prices by reviewing the range of prices that are generally available to new customers and calculating the “simple” average bill resulting from those prices across all retailers. For the reasons discussed in Chapter 1 of this report, the Commission cannot report on offers that are closed to new customers, which represent a significant proportion of all market offers, nor can it report weighted average prices, which would be more representative of average prices than a simple average. This limits the extent to which firm conclusions can be drawn on the energy prices that are being paid by South Australian consumers.

Changes in Standing Offer prices

Since 1 July 2012, the following movements occurred to electricity Standing Offer prices:

- ▲ AGL’s electricity residential Standing Contract prices decreased on 1 January 2013 by 9.1% for existing standing contract customers. Customers who signed up to AGL’s Standing Offer from 1 February 2013 received a 4.5% price reduction, relative to the Standing Contract prices that applied as of 31 December 2012. All small business customers on AGL’s Standing Contract received a 4.5% price decrease from 1 January 2013. These price reductions occurred as part of the State Government’s decision to deregulate energy retail prices in South Australia.

¹ Under clause 2 of the NERL a ‘designated retailer’ is defined as (a) in the case where there is no existing connection – the local area retailer and (b) in the case of an existing connection – the financially responsible retailer for the premises.

- ▲ From 1 February 2013, the simple average of residential Standing Offer prices published by all electricity retailers produced an annual bill (for a residential customer consuming 5MWh per annum) of \$2,014, 1.5% higher than the residential bill resulting from Standing Contract prices as at 31 December 2012. The simple average residential Standing Offer price, as at 16 August 2013, produced an annual bill of \$2,029, an increase of 0.7% relative to the 1 February 2013 simple average price. This may be partly explained by the AER's decision to increase SA Power Networks' electricity distribution charges from 1 July 2013, which was equivalent to a retail price increase of approximately 1.7%.
- ▲ For small business customers on Standing Offers, the simple average price as at 1 February 2013 produced an annual bill (based on 10MWh annual consumption) of \$3,832. As at 16 August 2013, small business Standing Offer prices had increased, producing a simple average Standing Offer annual bill of \$3,841, a 0.2% increase.

Gas Standing Contract/Offer prices have also generally increased since 1 July 2012, as follows:

- ▲ Origin Energy's gas Standing Contract prices for existing residential and small business customers decreased by 1% from 1 February 2013, as part of energy retail price deregulation.
- ▲ Since 1 February 2013, gas Standing Offer prices across all retailers have increased. The simple average residential gas Standing Offer annual bill increased by 13.6% between 1 February 2013 and 16 August 2013. This increase can partly be explained by the 1 July 2013 increase in gas distribution prices, which increased residential bills by around 8%.
- ▲ Small business customers have seen a 16.9% increase in the simple average gas Standing Offer bill between 1 February 2013 and 16 August 2013.

Changes in Market Offer prices

Market Offer prices have changed at various times since 1 July 2012. Those changes are summarised as follows:

- ▲ For residential electricity customers, the simple average Market Offer price as at 1 July 2012 produced an annual bill of \$1,598. This average bill amount has increased by 18.7% to \$1,897 as at 16 August 2013. This increase may have been driven by the AER's decision to increase network charges from 1 July 2012 and the introduction of a carbon price.²

² While those impacts were reflected in Standing Contract prices as of 1 July 2012, Market Offer prices did not change on 1 July 2012 and instead increased throughout July and August 2012.

- ▲ While the Commission does not have access to small business Market Offer prices prior to 1 February 2013, electricity small business prices since that date have increased slightly. Between 1 February 2013 and 16 August 2013, the annual small business electricity bill based on simple average Market Offers has increased from \$3,823 to \$3,855, a 0.8% increase.
- ▲ Gas Market Offer prices for residential customers have increased significantly between 1 July 2012 and 16 August 2013. The average residential gas bill based on simple average Market Offer prices as at 1 July 2012 was \$759. This has increased by 30.6 % to \$991 as at 16 August 2013. The increase in Market Offer prices broadly reflected movements in gas distribution prices that occurred on 1 July 2012 and 1 July 2013, which increased by around 42% over the two years (adding around 18% to average residential gas bills).
- ▲ The simple average Market Offer bill for small business gas customers increased by 9% between 30 June 2013 and August 2013. The increased Market Offer bills for residential and small business gas customers is generally consistent with the increase in gas distribution charges that applied from 1 July 2013, which added around 8% to an annual average small business retail gas bill.

The overall change in the simple average of Standing Contract/Offer bills compared to Market Offer bills over the period 1 July 2012 to 16 August 2013 is set out in the table below.

Changes in Standing Contract/Offer bills compared to Market Offer bills between 1 July 2012 and 16 August 2013

	Change in simple average annual Standing Contract/Offer bill (1-Jul-12 to 16-Aug-13)	Change in simple average annual Market Offer bill (1-Jul-12 to 16-Aug-13)	Difference between simple average annual Standing Offer bill and Market Offer bill as at 30 June 2013	Difference between simple average annual Standing Offer bill and Market Offer bill as at 16 August 2013
Electricity				
Residential	+2.2%	+18.7%	-\$178 (-8.8%)	-\$132 (-6.5%)
Small Business	+2.8%	+0.8%	-\$32 (-0.8%)	-\$4 (-0.1%)
Gas				
Residential	+12.2%	+30.6%	-\$15 (-1.7%)	-\$29 (-2.8%)
Small Business	+4.6%	+9.0%	-\$511 (-9.7%)	-\$324 (-5.9%)

As shown in the table above, residential Market Offer bills have increased by a greater percentage than small business Market Offer bills during the period 1 July 2012 to 16 August 2013. Market Offer bills have also generally increased by more than Standing Contract/Offer bills. The Commission notes that, on 1 July 2012, electricity Standing Contract prices increased by 18% and gas Standing Contract prices increased by 17.7% (residential) and 19.4% (small business). As the drivers of those increases did not flow through to Market Offers until July/August 2012, Standing Contract and Market Offer prices on 1 July 2012 are not strictly comparable.

The Commission's analysis shows that Market Offer prices are still generally much lower than Standing Offer prices and customers remaining on Standing Offers may be able to access significant savings by switching to a Market Offer. Customers are encouraged to use the Australian Energy Regulator's *Energy Made Easy* website to compare energy retail offers and contact energy retailers directly to discuss available offers.

1. INTRODUCTION

The Essential Services Commission of South Australia (“**the Commission**”) is responsible for providing to the Minister for Mineral Resources and Energy (**Minister**) annual comparison reports on certain electricity and gas retail prices for South Australian residential and small business customers (**Ministerial Pricing Report**). This is the Commission’s first Ministerial Pricing Report.

In preparing this Ministerial Pricing Report, the Commission has been guided by its primary objective, which is ***the protection of the long term interests of South Australian consumers with respect to the price, quality and reliability of essential services.***

The Ministerial Pricing Report forms part of an overall pricing and market monitoring regime, introduced by the South Australian Government at the time at which energy retail pricing was deregulated (1 February 2013).³ Under that regime, the Government (through the Minister) has the role of collecting and gathering market information, including through reports provided by the Commission, by the Australian Energy Market Operator and by the Australian Energy Regulator, to inform itself of the state of the market and, potentially, of the need to review or amend regulatory controls.

The requirement to prepare the Ministerial Pricing Report has been legislated by the Government.⁴ Regulations under the Electricity and Gas Acts require the Commission to provide to the Minister, by 31 August each, year a report on electricity and gas “Standing Offer” and “Market Offer” retail prices that were generally available to classes of small customers in South Australia in the preceding financial year. Standing offers are those which an energy retailer must make available to customers for which it is a designated retailer.⁵ Market Offers are all energy retail contracts other than Standing Offers. There is no obligation on energy retailers to make available a Market Offer to all customers.

The Commission’s obligation to provide an annual Ministerial Pricing Report is dependent on the Minister requesting the report and specifying the information required each year.

Under the regulations, the information that the Minister may require the Commission to include in a Ministerial Pricing Report consists of:

³ This date coincided with the implementation of the National Energy Customer Framework (NECF) in South Australia, which transferred most South Australian energy retail regulatory functions to the Australian Energy Regulator (AER).

⁴ Refer to Electricity (General) Regulations 2012, regulation 12 and the Gas Regulations 2012, regulation 6 (extracts contained in Annexure A).

⁵ Under clause 2 of the NERL a ‘designated retailer’ is defined as (a) in the case where there is no existing connection – the local area retailer and (b) in the case of an existing connection – the financially responsible retailer for the premises.

- the range of “Standing Offer” prices generally available to small customers;⁶
- the range of “Market Offer” prices generally available to small customers;
- the difference between average “Standing Offer” prices to “Market Offer” prices generally available to small customers; and
- any other matter required by the Minister.

On 26 July 2013, the Minister wrote to the Commission to request a Ministerial Pricing Report for 2012/13 and confirm that the Report should only address the first three matters listed above. The Minister did not specify any additional information requirements.

The Commission has no powers to collect price or consumption data from energy retailers for the purposes of a Ministerial Pricing Report until the information requirements under the regulations have been formally specified by the Minister for each year and that data is necessary to meet the specified requirements.

The Commission believes that future Ministerial Pricing Reports would be of greater public benefit if they were to include price information not only on “generally available” offers, but also on “closed” offers (offers which were available and which customers have entered into but are no longer available to new customers).

Many South Australian customers are on closed contracts. Price movements on closed offers may be significantly different to those on generally available offers. As a consequence, a report on generally available offer prices only cannot be relied upon to provide accurate indications of overall price movements experienced by all customers. At this time, however, the Minister has chosen not to require the Commission to report on closed contract prices.

This Ministerial Pricing Report presents simple (unweighted) average prices and price movements over time. Simple average prices are less meaningful than weighted average prices, as they give equal weight to the many offers that have few customers as they do to the offers that have many customers. The combined market shares of the biggest four retailers in the residential electricity market account for around 90% of all customers⁷; that concentration is not taken into account through simple averages.

While future reports will present those data in volume-weighted averages rather than simple averages, for this report the provisions of the legislative scheme did not permit the Commission to gather from retailers the necessary underpinning consumption and customer number data.

This is because, as noted above, the Commission’s powers to do so in each year depend on the triggering of the reporting function under the Regulations by way of Ministerial notification, which did not occur until 26 July 2013 (the date of the Minister’s letter specifying the matters to be dealt with in the report). It was therefore not possible to collect the relevant information prior to that time for incorporation within this report. It is

⁶ Small customers are those electricity customers using less than 160MWh of electricity annual and gas customers using less than 1 TJ of gas annually, through a single connection point.

⁷ Refer <http://www.escosa.sa.gov.au/library/130606-APR-3-July-Dec2012-RetailMarketDevelopments.pdf>.

expected that the Commission's powers will be triggered earlier in subsequent years, permitting presentation of volume-weighted averages.

This Commission has estimated simple average annual bills by adding the bills that result from each retailer's available offers and dividing by the number of offers provided by that retailer. The resulting simple average for each retailer is then averaged to provide a market-wide simple average annual bill.

It is also important to note that the Commission's Ministerial Pricing Report does not analyse movements in retailers' input costs and the extent to which generally available Standing Offer and Market Offer prices reflect efficient costs. Such analysis would require knowledge of retailers' wholesale energy costs and operating costs. The Commission has, however, made observations about changes in network charges and their retail price impacts at various places in this report. Energy network charges, which are generally passed through by energy retailers, are determined by the AER and are made publicly available.

While this first Ministerial Pricing Report need only cover the period 1 February 2013 to 30 June 2013, there were relatively few price changes during that period.⁸ Furthermore, significant events (such as price deregulation) occurred earlier in the 2012/13 financial year and significant price movements occurred shortly after the end of that year. Therefore, this report covers price movements that occurred throughout the 2012/13 financial year and shortly afterwards. Price movements are reported for four distinct periods:

- ▲ 1 July 2012 to 20 September 2012;
- ▲ 21 September 2012⁹ to 31 January 2013;
- ▲ 1 February 2013 to 30 June 2013; and
- ▲ 1 July 2013 to 16 August 2013.

1.1 *Authorised NERL Retailers*

This report provides information on offers available from energy retailers to South Australian residential and small business authorised under the National Energy Retail Law (**NERL retailers**). As at 1 August 2013, there were 12 authorised NERL retailers actively operating in South Australia (refer Table 1.1).¹⁰ Not all 12 retailers were selling electricity to small business electricity customers and only 5 retailers were selling gas to small customers. Two gas retailers (Alinta Energy and Simply Energy) only provided gas Market Offers as part of a combined electricity/gas Market Offer.

⁸ Note that under the NERL a retailer cannot vary standing offer prices within a period of 6 months (clause 23(5)(a)) from the previous prices published.

⁹ The Commission selected 20 September 2012 as it captured all Market Offer price changes in July/August 2012 and preceded the announcement of energy retail price deregulation on 18 December 2012.

¹⁰ However, it should be noted that QEnergy did not make available any Market Offers to residential customers to the end of 30 June 2013 (according to the EnergyMadeEasy website at: <http://energymadeeasy.gov.au/>).

Table 1.1: Authorised NERL Retailers (as at 1 August 2013)

Retailer	Selling electricity to:		Selling gas to:	
	Residential	Small Business	Residential	Small Business
AGL Energy	✓	✓	✓	✓
Alinta Energy	✓		✓	
Diamond Energy	✓	✓		
EnergyAustralia	✓	✓	✓	✓
Lumo Energy	✓	✓		
Momentum Energy	✓	✓		
Origin Energy	✓	✓	✓	✓
Power Direct	✓	✓		
QEnergy	✓	✓		
Red Energy	✓	✓		
Sanctuary Energy	✓			
Simply Energy ¹¹	✓	✓	✓	✓

1.2 Structure of this report

The Report is structured as follows:

- ▲ Chapter 2 reviews residential electricity retail prices;
- ▲ Chapter 3 reviews small business electricity retail prices;
- ▲ Chapter 4 reviews residential gas retail prices; and
- ▲ Chapter 5 reviews small business gas retail prices.

The Commission welcomes feedback from all members of the community on the usefulness of this report and how future reports can be made more useful.

¹¹ Simply Energy currently provides gas Standing Offers, but does not have any stand-alone gas Market Offers available (it only offers gas as part of a dual-fuel offer).

1.3 Assumptions and Limitations

All prices in this report are quoted as GST-inclusive. The following consumption assumptions have been used to calculate annual energy bills.

Table 1.2: Assumed consumption profiles

Electricity	Total	Summer	Autumn	Winter	Spring
Electricity Consumption Profile ¹²	100%	27%	23%	28%	22%
Residential avg. consumption (kWh)	5 000	1 350	1 150	1 400	1 100
Small business avg. consumption (kWh)	10 000	2 700	2 300	2 800	2 200

Gas	Total	Summer	Autumn	Winter	Spring
Gas Consumption Profile ¹³	100%	21%	23%	32%	24%
Residential avg. consumption (MJ)	21 000	4 410	4 830	6 720	5 040
Small business avg. consumption (MJ)	190 000	39 900	43 700	60 800	45 600

The average consumption figures stated in Table 1.2 are based on historic averages for South Australia. The Commission has excluded off-peak controlled load consumption from electricity bill calculations, as a declining minority of South Australian electricity customers have controlled load supply (mainly used for electric hot water).¹⁴

Electricity and gas retail contracts contain various price and non-price aspects. In estimating annual energy bills, the Commission has used the following approach:

Exclusion of GreenPower

- ▲ Customers can choose to add a “GreenPower” renewable energy component to various Market Offers, ranging from 10% to 100%. Some customers may also be eligible to receive Feed in Tariff (FiT) payments for energy exported from rooftop solar photovoltaic (PV) generators. As most electricity retail customers are not on GreenPower offers and do not have PV generators, average bill information is generally provided without GreenPower costs and FiT benefits. However, information is provided on additional GreenPower costs in section 2.3.

¹² The electricity consumption profile used reflects the historic consumption (as billed) by customers provided by retailers in their quarterly returns to the Commission. Following the introduction of NECF on 1 February 2013, retailers no longer provide information on customer numbers and consumption volume for each electricity and gas offer.

¹³ The gas consumption profile used reflects the historic consumption (as billed) by residential customers provided by retailers in their quarterly returns to the Commission.

¹⁴ Off-peak controlled load is used for permanently installed storage water heaters with a rated delivery of not less than 125 litres, storage space heaters and other applications approved by SA Power Networks involving a time switch and separate metering to measure off-peak consumption.

Treatment of discounts/benefits

- ▲ All price discounts (eg. discounts for direct debit payment, payment of bills on time and any cash rebates) offered by energy retailers are deducted in estimated annual bills, with the exception of any additional discounts for customers that purchase both electricity and gas from the same retailer (dual fuel discounts). In addition, any non-price benefits offered have not been quantified and incorporated into the bill estimates. Account establishment fees charged by retailers have also been excluded in the estimated bills, as have early termination fees as most customers do not exit contracts before their terms expire.

Electricity and gas pricing data have been sourced from the AER's *Energy Made Easy* online price comparison service (for prices that applied from 1 February 2013).¹⁵ The Commission acknowledges the assistance provided by the AER in facilitating access to the *Energy Made Easy* data. The Commission has also relied upon data from its now decommissioned *Estimator* online price comparison service (for prices that applied prior to 1 February 2013) and information from energy retailers' websites.

The Commission cannot guarantee the accuracy of the data used to prepare this report, other than data sourced from its *Estimator* online price comparison service. Customers should not rely upon this report when making decisions about available energy retail offers. Customers are encouraged to use the AER's *Energy Made Easy* website to compare energy retail offers and contact energy retailers directly to discuss available offers.

¹⁵ AGL's "Domestic Light/Power 110" electricity tariff category was used as the basis for the analysis of residential Standing Contracts, Standing Offers and Market Offers. AGL's "General Supply 126" electricity tariff category was used as the basis for the analysis of small business Standing Contracts, Standing Offers and Market Offers.

2. RESIDENTIAL ELECTRICITY PRICES

2.1 *Standing Contract/Offer Prices*

On 1 February 2013, the National Energy Customer Framework (**NECF**) was introduced in South Australia. Prior to that date, AGL Energy (**AGL**) was the only electricity retailer required to offer a retail contract to customers using less than 160MWh per annum. The “Standing Contract” for electricity (as it was then known) was generally applicable to all residential and small business customers who chose not to move to a Market Offer. By December 2012, less than 20% of all small customers purchased energy under the AGL standing contract.

Since 1 February 2013, the regulated Standing Contract has not existed. Instead, each retailer authorised to sell electricity under the National Energy Retail Law (**NERL**), including AGL, must publish “Standing Offer” prices.

In this report, the Commission has reviewed NERL Standing Offer prices and, to provide context, has also provided information on Standing Contract Prices. While similar in nature, to the extent that both contracts are intended to satisfy a retailer’s legal obligation to offer, which ensures that all customers can access at least a basic supply arrangement, there are key differences between the two.

The Standing Contract was a South Australian statutory scheme under the Electricity Act, imposing a legal obligation on only one retailer, AGL SA Pty Ltd, to offer that contract to any small customer upon request.

Importantly, no retailer other than AGL had a standing contract obligation; all other retailers offered Market Contracts (the terms of which were regulated but prices were not). Under the Electricity Act, the terms of the Standing Contract were set by the Commission, as were the prices which could be charged. The Standing Contract regime ceased operation from 31 January 2013, being replaced by the NERL Standing Offer regime.

The Standing Offer is a part of the National Energy Customer Framework, arising under the National Energy Retail Law (South Australia) Act 2011. Unlike the Standing Contract, each retailer is required to have a Standing Offer available to small customers on request; however, the obligation only arises in practice in respect of a retailer where a new customer seeks an offer at premises where that retailer was the last retailer to have sold electricity to a customer. That is, there is no general obligation to sell electricity under Standing Offer terms and conditions to any small customer at any premises on request – there is only an obligation to sell electricity under Standing Offer terms and conditions where the retailer sold electricity to the immediately preceding customer at the same premises.

As a result, care should be taken in consideration of Standing Contract and Standing Offer prices, to the extent that not all customers can access all Standing Offer prices (but could have accessed Standing Contract Prices).

2.1.1 AGL Standing Contract and Standing Offer Prices

Changes in the Standing Contract/Standing Offer bills available in South Australia from 1 July 2012 to 16 August 2013 are set out in the table below.

Table 2.1: AGL Standing Contract and Standing Offer Bills for New Residential Customers

	Standing Contract	AGL Standing Offer			Change from 1-Jul-12 to 1-Feb-13	Change from 1-Jul-12 to 16-Aug-13
Date offer available from	1-Jul-12	1-Jan-13	1-Feb-13	16-Aug-13		
Annual Residential Bill (5,000kWh p.a.)	\$1,985	\$1,804	\$1,895	\$1,950		
Change in Bill		-\$181	+\$91	+\$55	-\$90	-\$35
		-9.1%	+5.1%	+2.9%	-4.5%	-1.8%

2.1.1.1 Prices as at 1 July 2012

In June 2012, the Commission announced a change in Standing Contract prices to apply from 1 July 2012, increasing those prices by 18% over previously applicable prices. The estimated average residential Standing Contract annual bill following this price increase was \$1,985, based on an average annual consumption of 5,000 kWh.

Around 85% of that increase was due to the AER's decision to increase network charges from 1 July 2012 and the introduction of a carbon price.

The remainder of the price increase arose from an overall increase in the price of Market Offers at that time.

2.1.1.2 Prices as at 1 January 2013

On 2 October 2012, as part of a review of the Wholesale Electricity Cost (WEC) component of electricity Standing Contract prices, the Commission issued a Draft Determination which, if given effect, would have reduced Standing Contract Prices by 8.1% from 1 January 2013; that is, a proposed reduction from \$1,985 to \$1,824 (a saving of \$161 per annum).

This reflected the Commission's assessment that forward-looking wholesale electricity costs had declined.

On 18 December, the Minister for Mineral Resources and Energy announced the Government's decision to deregulate energy retail prices from 1 February 2013, having negotiated a commitment from AGL to reduce electricity Standing Contract prices.¹⁶ As a result, the Commission did not finalise its price determination Review and did not make a Final Standing Contract Price Determination.

¹⁶ http://www.premier.sa.gov.au/images/news_releases/12_12Dec/energyprice.pdf.

Under the agreed arrangements between the Government and AGL, residential customers who were on the Standing Contract at 31 December 2012 received a 9.1% price reduction from 1 January 2013, reducing the estimated average residential Standing Contract annual bill from \$1,985 to \$1,804 (a \$181 per annum reduction). That reduction was broadly consistent with the Commission's findings in its Draft Decision.

2.1.1.3 Prices as at 1 February 2013

At the same time that the Minister announced deregulation of electricity standing contract prices, he also announced that the National Energy Customer Framework (established under the NERL) would be implemented in South Australia from 1 February. As outlined earlier, under that scheme Standing Contract prices became defunct, with customers transferring automatically to the Standing Offer regime under the NERL.

On the commencement of the National Energy Customer Framework on 1 February, AGL's Standing Offer prices had two distinct tariff classes (in terms of South Australian residential customers):

- ▲ "Transitional" Standing Offer customers: Those customers who were AGL Standing Contract customers as of 31 January 2013 received a 9.1% price reduction from 1 February 2013, back-dated to 1 January 2013, relative to the Standing Contract prices that applied as of 31 December 2012. This offer became a "closed offer" (as described in Chapter 1 above) at that time.
- ▲ New Standing Offer customers: Those customers who became, or were entitled to become, AGL Standing Offer customers from 1 February 2013 received a 4.5% price reduction, relative to the Standing Contract prices that applied as of 31 December 2012.

AGL announced, under its agreement with the South Australian Government, that the prices to apply to both tariff classes would be:

*fixed for two years, until 31 December 2014, except for changes to network charges, carbon, renewable and energy efficiency costs from time to time in accordance with any regulatory requirements and limitations.*¹⁷

2.1.1.4 Prices as at 16 August 2013

Under the terms of the NERL, Standing Offer prices, once set, cannot be changed within a six-month period. As AGL had changed its prices from 1 February, it was not permitted to make further changes on 1 July.¹⁸ That date is, traditionally, the time at which retail prices

¹⁷ <http://www.agl.com.au/residential/energy-plans/electricity-and-gas-plans/price-and-contract-information/information-about-sa-retail-electricity-standing-offer>

¹⁸ National Energy Retail Law (South Australia) Act 2011, Schedule 1, National Energy Retail Law, clause 23(5). Available at [http://www.legislation.sa.gov.au/LZ/C/A/NATIONAL%20ENERGY%20RETAIL%20LAW%20\(SOUTH%20AUSTRALIA\)%20ACT%202011/CURRENT/2011.6.UN.PDF](http://www.legislation.sa.gov.au/LZ/C/A/NATIONAL%20ENERGY%20RETAIL%20LAW%20(SOUTH%20AUSTRALIA)%20ACT%202011/CURRENT/2011.6.UN.PDF)

have changed, as it is also the time at which network charges change and it is convenient to capture any changes at that date.

As a result, AGL did not change its Standing Offer prices until 1 August 2013. The price change effected was an increase of 2.9% for Standing Offer customers who signed up to the Standing Offer after 1 February 2013. The price increase for the “transitional” standing contract customers was 2.47%. The average annual bill that resulted from those price increases was \$1,950 for a new Standing Offer customer and \$1,849 for a “transitional” Standing Offer customer.

While the Commission is only able to collect data which shows the rate of change of prices and cannot (under the current reporting regime) collect underpinning cost information, the average bill changes are reasonably consistent with the 1 July 2013 change in network charges which increased average retail bills by 1.7%. That bill increase comprised a +3.9% bill impact from an increase in SA Power Network’s distribution prices, a -1.0% bill impact from ElectraNet’s transmission prices and a -1.3% bill impact resulting from an reduction in the amount of revenue that SA Power Networks estimates it will recover in 2013/14 under the State Government’s FiT scheme, compared to the previous year.

2.1.2 All Standing Offer Residential Electricity Prices from 1 February 2013

As noted earlier in this report, the National Energy Customer Framework took effect in South Australia from 1 February 2013. Under the terms of the laws governing that framework (the NERL), there is a requirement for all retailers to have a Standing Offer. Under the previous Standing Contract regime, only AGL was required to offer a Standing Contract (with the price of that contract fixed by the Commission).

Notably, however, the prices of Standing Offers are unregulated and the Standing Offer obligation on a retailer only extends to premises where that retailer currently sells electricity (that is, a customer cannot seek a Standing Offer from any retailer – only from the retailer currently selling electricity at the relevant premises). Further, retailers do not need to publish any explanation for, or justification of, the level at which their Standing Offer prices have been set – a departure from the regulatory practice under the Standing Contract regime.

1 February 2013 therefore marked the first time that all retailers had available a Standing Offer price in the market (albeit that those offers could not be accessed by all customers). For the avoidance of doubt, it is noted that the table below includes the AGL Standing Offer price discussed in detail in section 2.1.1 above.

Table 2.2: Electricity Standing Offer Bills for Residential Customers

Retailer	Standing Offer Avg. Annual Residential Bill as at 1 February 2013	Standing Offer Avg. Annual Residential Bill as at 16 August 2013	% change
AGL	\$1,895	\$1,950	+2.9%
Alinta Energy	\$1,985	\$2,054	+3.5%
Diamond Energy	\$2,085	\$2,085	0.0%
EnergyAustralia	\$N/A	\$2,059	-
Lumo Energy	\$1,985	\$2,013	+1.4%
Momentum Energy	\$1,996	\$1,996	0.0%
Origin Energy	\$1,985	\$2,100	+5.8%
Powerdirect	\$1,931	\$1,987	+2.9%
QEnergy	\$1,906	\$1,948	+2.2%
Red Energy	\$2,089	\$1,920	-8.1%
Sanctuary Energy	\$2,316	\$2,210	-4.6%
Simply Energy	\$1,985	\$2,027	+2.1%
Simple Average	\$2,014	\$2,029	+0.7%

2.1.2.1 Prices as at 1 February 2013

On 1 February 2013, all retailers published, for the first time, a Standing Offer price under the terms of the NERL. The simple average annual residential customer bill under the Standing Offer prices of the 12 retailers was \$2,014, 1.5% greater than AGL's Standing Contract price as at December 2012 (\$1,985).

The Standing Offer prices at 1 February (as set out in Table 2.2 above) shows a wide spread of price offerings, with \$421 being the difference between the cheapest (AGL at \$1,895) and most expensive (Sanctuary Energy at \$2,316) average annual residential customer bill.

2.1.2.2 Prices as at 16 August 2013

Following the elapse of the mandatory six-month Standing Offer price preservation period under the NERL (refer section 2.1.1.4 above), eight of the twelve retailers increased their Standing Offer prices, with two (Diamond Energy and Momentum Energy) holding them constant and two (Red Energy and Sanctuary Energy) lowering them.

The simple average of the average annual residential customer bills arising under all available Standing Offer prices as at 16 August 2013 was \$2,029 – a slight uplift of 1.1% as compared with the same average price of \$2,014 at 1 February 2013. The average change of 0.7% is slightly lower than the 1.7% change in residential retail bills that would result purely from the 1 July 2013 network charge increase.

At the same time, the spread of prices had narrowed significantly to \$291 from \$421 as at 1 February. Of note, Red Energy, which had been the second-most expensive offering (at an average annual residential customer bill of \$2,089) became the cheapest (at \$1,920) while Sanctuary Energy, even though it did reduce its price, remained the most expensive at \$2,210.

2.2 Market Offer Prices

Retailers generally offer a range of Market Offers; each may have different terms, conditions and prices including discounts, bonuses, different billing periods, different payment options, fixed contract terms and early termination fees. Prices under Market Offers are set by the retailers themselves.

2.2.1 Market Offer Prices as at 1 July 2012

Annual residential Market Offer bills in South Australia as at 1 July 2012 are set out in the table below.

Table 2.3: Residential Annual Electricity Market Offer Bills as at 1 July 2012¹⁹

	Minimum offer	Maximum offer	Simple Average offer
AGL	\$1,507	\$1,684	\$1,585
Alinta Energy	\$1,507	\$1,610	\$1,554
Diamond Energy	\$1,907	\$1,907	\$1,907
EnergyAustralia	\$1,518	\$1,581	\$1,550
Lumo Energy	\$1,477	\$1,682	\$1,580
Momentum Energy	\$1,585	\$1,585	\$1,585
Origin Energy	\$1,514	\$1,671	\$1,583
Powerdirect	\$1,519	\$1,618	\$1,561
Red Energy	\$1,573	\$1,573	\$1,573
Simply Energy	\$1,386	\$1,604	\$1,498
Simple Average	\$1,549	\$1,650	\$1,598

The cheapest residential Market Offer that applied on 1 July 2012 produced an annual bill of \$1,386 (Simply Energy, including an \$80 one-off joining bonus). This was 30% below the

¹⁹ QEnergy did not commence retailing electricity in South Australia until after this date.

annual bill (\$1,985) that resulted from the new residential Standing Contract that applied on 1 July 2012. However, it is noted that prevailing market contracts had not been revised to reflect the change in the standing contract price by retailers at the time.

The most expensive Market Offer was provided by Diamond Energy (\$1,907), which was 3.9% below the Standing Contract estimated annual bill.

The simple average Market Offer annual bill as at 1 July 2012 was \$1,598, 19.5% below that for the Standing Contract.

2.2.2 Market Offer Prices as at 20 September 2012

Changes in annual residential Market Offer bills between 1 July 2012 and 20 September 2012 are set out in the table below.

Table 2.4: Residential Annual Electricity Market Offer Bills as at 20 September 2012

	Minimum offer	% change from 1-Jul-12 bill	Maximum offer	% change from 1-Jul-12 bill	Simple average offer	% change from 1-Jul-12 bill
AGL	\$1,744	+15.7%	\$1,933	+14.8%	\$1,847	+16.6%
Alinta Energy	\$1,778	+18.0%	\$1,864	+15.8%	\$1,821	+17.2%
Diamond Energy	\$1,907	-	\$1,907	-	\$1,907	-
EnergyAustralia	\$1,794	+18.2%	\$1,869	+18.2%	\$1,832	+18.2%
Lumo Energy	\$1,742	+17.9%	\$1,985	+18.0%	\$1,900	+20.3%
Momentum Energy	\$1,795	+13.2%	\$1,883	+18.8%	\$1,839	+16.0%
Origin Energy	\$1,873	+23.7%	\$2,049	+23.7%	\$1,952	+23.3%
Powerdirect	\$1,712	+12.7%	\$1,712	+5.8%	\$1,712	+9.6%
Red Energy	\$1,785	+13.5%	\$1,785	+13.5%	\$1,785	+13.5%
Simply Energy	\$1,724	+24.4%	\$1,974	+23.0%	\$1,819	+21.4%
Simple Average	\$1,785	+15.2%	\$1,896	+14.9%	\$1,841	+15.3%

Market offer prices generally increased during the July-September 2012 period, following the AER's decision to increase network charges from 1 July 2012 and the introduction of a carbon price.

The lowest annual bill for a residential Market Offer was \$1,712 (Powerdirect), 13.8% below that for the Standing Contract (\$1,985). Origin Energy increased all of its residential Market Offer prices by around 24%, which contributed to it having the most expensive offer of \$2,049.

The simple average annual residential Market Offer bill as at 20 September 2012 was \$1,841, 15.3% higher than it was on 1 July 2012.

The 15.3% increase in the simple average Market Offer prices between 1 July 2012 and 20 September 2012 is reasonably consistent with the 18% increase in Standing Contract Prices that applied from 1 July 2012, which largely reflected the AER's decision to increase network charges from 1 July 2012 and the introduction of a carbon price.

2.2.3 Market Offer Prices as at 31 January 2013

Changes in Market Offer bills between 21 September 2012 and 31 January 2013 are set out in the table below.

Table 2.5: Residential Annual Electricity Market Offer Bills as at 31 January 2013

	Minimum offer	% change from 20-Sept-12 bill	Maximum offer	% change from 20-Sept-12 bill	Simple average offer	% change from 20-Sept-12 bill
AGL	\$1,711	- 1.9%	\$1,901	- 1.7%	\$1,813	- 1.8%
Alinta Energy	\$1,728	- 2.8%	\$1,864	-	\$1,790	- 1.7%
Diamond Energy	\$1,907	-	\$1,907	-	\$1,907	-
EnergyAustralia	\$1,794	-	\$1,869	-	\$1,832	-
Lumo Energy	\$1,742	-	\$1,985	-	\$1,900	-
Momentum Energy	\$1,795	-	\$1,883	-	\$1,839	-
Origin Energy	\$1,752	- 6.5%	\$2,117	+3.3%	\$1,946	-0.3%
Powerdirect	\$1,712	-	\$1,712	-	\$1,712	-
QEnergy	\$1,777	N/A	\$1,863	N/A	\$1,820	N/A
Red Energy	\$1,785	-	\$1,785	-	\$1,785	-
Simply Energy	\$1,724	-	\$1,974	-	\$1,819	-
Simple Average	\$1,766	- 1.1%	\$1,896	-	\$1,833	-0.5%

There was little overall change in Market Offer prices between 21 September 2012 and 31 January 2013. During this period, the Government announced the deregulation of energy retail prices and there was a 9.1% reduction in AGL's Standing Contract prices as of 1 January 2013 (refer section 2.1.1).

However, some Market Offer prices did change. AGL introduced a new market offer that resulted in its being the market's cheapest residential bill (\$1,711). But, Powerdirect did not change its Market Offer as it was still the next most cheapest residential Market Offer bill (\$1,712). Although, Origin Energy did reduce its cheapest offers to become more competitive (\$1,752) it still continued to offer the most expensive bill (\$2,117).

The simple average annual residential Market Offer bill as of 1 January 2013 was \$1,833, 0.5% lower than on 20 September 2012.

2.2.4 Market Offer Prices as at 30 June 2013

Changes in Market Offer bills between 1 February 2013 and 30 June 2013 are set out in the table below.

Table 2.6: Residential Annual Electricity Market Offer Bills as at 30 June 2013

	Minimum offer	% change from 31-Jan-13 bill	Maximum offer	% change from 31-Jan -13 bill	Simple average offer	% change from 31-Jan -13 bill
AGL	\$1,731	- 1.2%	\$1,846	- 2.9%	\$1,786	- 1.5%
Alinta Energy	\$1,727	+0.1%	\$1,727	- 7.4%	\$1,727	- 3.5%
Diamond Energy	\$1,995	+4.6%	\$2,000	+4.9%	\$1,998	+4.8%
EnergyAustralia	\$1,696	- 5.5%	\$1,877	+0.4%	\$1,803	- 1.5%
Lumo Energy	\$1,646	- 5.5%	\$2,013	+1.4%	\$1,834	- 3.5%
Momentum Energy	\$1,687	- 6.0%	\$1,925	+2.2%	\$1,777	- 3.3%
Origin Energy	\$1,743	- 0.5%	\$2,084	- 1.6%	\$1,966	+1.0%
Powerdirect	\$1,660	- 3.0%	\$1,859	+8.6%	\$1,753	+2.4%
QEnergy	N/A	N/A	N/A	N/A	N/A	N/A
Red Energy	\$1,702	- 4.2%	\$1,919	+7.5%	\$1,809	+1.3%
Sanctuary Energy	\$1,985	-	\$1,985	-	\$1,985	-
Simply Energy	\$1,688	- 2.1%	\$1,883	- 4.6%	\$1,768	- 2.8%
Simple Average	\$1,751	- 0.9%	\$1,920	+1.2%	\$1,837	+0.2%

There were significant reductions in a number of residential Market Offer prices during the 1 February 2013 to 30 June 2013 period but these were offset in part by increases at the top-end of the market. Accordingly, the simple annual average residential Market Offer bill as of 30 June 2013 moved very slightly higher to \$1,837, 0.2% higher than on 31 January 2013.

As at 30 June 2013, the lowest residential Market Offer was available from Lumo Energy (\$1,646), 3.8% below the cheapest Market Offer that applied as at 31 January 2013 (AGL).

Origin Energy continued to have the most expensive Market Offer (\$2,084) but this did reduce slightly by 1.6% compared to 31 January 2013.

2.2.5 Market Offer Prices as at 16 August 2013

Changes in Market Offer bills between 1 July 2013 and 16 August 2013 are set out in the table below.

Table 2.7: Residential Annual Electricity Market Offer Bills as at 16 August 2013

	Minimum offer	% change from 1-July-13 bill	Maximum offer	% change from 1-July-13 bill	Simple average offer	% change from 1-July-13 bill
AGL	\$1,731	-	\$1,900	+2.9%	\$1,819	+1.9%
Alinta Energy	\$1,727	-	\$1,787	+3.5%	\$1,757	+1.8%
Diamond Energy	\$1,791	- 10.2%	\$1,791	- 10.4%	\$1,791	- 10.3%
EnergyAustralia	\$1,989	+17.3%	\$2,193	+16.8%	\$2,089	+15.9%
Lumo Energy	\$1,711	+4.0%	\$2,013	-	\$1,940	+5.8%
Momentum Energy	\$1,846	+9.4%	\$1,925	-	\$1,904	+7.1%
Origin Energy	\$1,774	+1.8%	\$2,284	+9.6%	\$2,021	+2.8%
Powerdirect	\$1,534	- 7.6%	\$1,935	+4.1%	\$1,750	- 0.1%
QEnergy ²⁰	\$1,807	N/A	\$1,949	N/A	\$1,864	N/A
Red Energy	\$1,821	+7.0%	\$1,963	+2.3%	\$1,892	+4.6%
Sanctuary Energy	\$1,895	- 4.5%	\$2,068	+4.2%	\$2,025	+2.0%
Simply Energy	\$1,759	+4.2%	\$2,335	+24.0%	\$1,910	+8.0%
Simple Average	\$1,782	+1.8%	\$2,012	+4.8%	\$1,897	+3.3%

Almost all retailers (with one exception) increased Market Offer prices between 1 July 2013 and 16 August 2013. The simple average annual Market Offer bill as of 16 August 2013 was \$1,897, 3.3% higher than on 30 June 2013. This increase may be partly explained by the AER's decision to increase network charges that applied from 1 July 2013, which was equivalent to a 1.7% increase in average residential bills.

As shown in Table 2.7, Powerdirect had the lowest residential Market Offer bill as at 16 August 2013 (\$1,534), which was 7.6% lower than its lowest Market Offer bill as at 30 June 2013.

Simply Energy had the most expensive Market Offer as at 16 August 2013 (\$2,335), which is 24% higher than its most expensive offer as at 30 June 2013.

²⁰ The change in QEnergy's Market Offer prices cannot be reported as QEnergy did not have any Market Offers available as at 30 June 2013.

2.2.6 Comparison of Standing Contracts/Offer to Market Offers

Since 1 July 2012, the change in the value of the average residential bill based on the simple average of the Standing Contract/Offer prices rose 2.2% whereas market offers rose by 18.7% in comparison, as Table 2.7 shows.

Table 2.8: Comparison of Residential Annual Electricity Bills based on Standing Contract/Offer and Market Offers

	1-Jul-12	20-Sep-12	31-Jan-13	30-Jun-13	16-Aug-13	Change since 1-Jul-12
Standing Contract	\$ 1 985	\$ 1 985	\$ 1 804	-	-	
Simple Average of Standing Offer	-	-	-	\$ 2 014	\$ 2 029	
Simple Average of Standing Contract /Offer	\$ 1 985	\$ 1 985	\$ 1 804	\$ 2 014	\$ 2 029	2.2%
Simple Average of Market Offer	\$ 1 598	\$ 1 841	\$ 1 833	\$ 1 837	\$ 1 897	18.7%
Difference \$	-\$ 387	-\$ 144	\$ 29	-\$ 178	-\$ 132	
Difference %	- 19.5%	-7.2%	1.6%	-8.8%	-6.5%	

Table 2.7 also shows that the difference between the simple averages of the Standing Contracts/Offer and Market Offers narrowed between 1 July 2012 and 31 January 2013, but has since widened. However, caution should be used in making such a comparison because, as noted earlier, electricity Standing Contract prices increased by 18% on 1 July 2012. As the drivers of those increases did not flow through to Market Offers until July/August 2012, Standing Contract and Market Offer prices on 1 July 2012 are not strictly comparable.

The simple average of Market Offer bills was substantially below (19.5%, \$387) the average Standing Contract bill as at 1 July 2012. However, with AGL's 9.1% reduction in Standing Contract prices on 1 January 2013, together with increases in Market Offer prices between 1 July 2012 and 1 February 2013, the simple average of Market Offer bills was \$29 above the simple average of the Standing Contract bill as at 1 February 2013.

Between 1 February 2013 and 16 August 2013, the simple average Standing Offer bill had increased while the simple average of Market Offer bills remained relatively constant, reversing the earlier trend of a declining differential.

2.3 GreenPower Offers

Table 2.8 shows the various GreenPower offers available to residential electricity customers, which range from 10% renewable component to 100% renewable energy. Some offers include a GreenPower price premium based on a flat rate (\$ per week), while others charge the premium on a consumption basis (c/kWh). Table 2.8 shows the additional annual cost to an average residential customer of the various GreenPower offers available as at 30 June 2013 and 16 August 2013. A 100% GreenPower component can add anywhere between \$154 and \$514 (8% to 27%) to a customer's annual bill.

Table 2.9: GreenPower Market Offers available (GST inclusive)

Retailer	GreenPower Component	Additional cost (as at 30 June 2013)	Additional cost (as at 16 August 2013)	Comments
AGL	10%	\$ 57.20	\$ 57.20	
AGL	20%	\$ 93.60	\$ 93.60	
AGL	100%	\$ 275.00	\$ 275.00	
EnergyAustralia	10%	\$ 19.97	\$ 26.02	
EnergyAustralia	20%	\$ 39.93	\$ 52.03	
EnergyAustralia	100%	\$ 199.65	\$ 260.15	
Origin Energy	10%	\$ -	\$ -	At no additional cost
Origin Energy	25%	\$ 52.00	\$ 52.00	
Origin Energy	50%	\$ 77.00	\$ 77.00	
Origin Energy	100%	\$ 154.00	\$ 154.00	
Powerdirect	10%	\$ 51.48	\$ 51.48	
Powerdirect	20%	\$ 102.96	\$ 102.96	
Powerdirect	25%	\$ 128.13	\$ 128.13	
Powerdirect	50%	\$ 256.83	\$ 256.83	
Powerdirect	75%	\$ 384.96	\$ 384.96	
Powerdirect	100%	\$ 513.66	\$ 513.66	
QEnergy	10%	\$ 33.00	\$ 33.00	
QEnergy	50%	\$ 165.00	\$ 165.00	
QEnergy	100%	\$ 330.00	\$ 330.00	
Red Energy	100%	\$ 291.50	\$ 291.50	
Sanctuary Energy	100%	\$ 294.50	\$ 294.50	
Lumo Energy	10%			Dedicated green contract offered
Lumo Energy	100%			Dedicated green contract offered
Simply Energy	10%			Dedicated green contract offered
Simply Energy	100%			Dedicated green contract offered
Alinta Energy				No GreenPower options offered
Diamond Energy				No GreenPower options offered
Momentum				No GreenPower options offered

3. SMALL BUSINESS ELECTRICITY PRICES

3.1 *Standing Contract/Offer Prices*

3.1.1 *AGL Energy Standing Contract and Standing Offer Prices*

From 1 July 2012, Standing Contract prices for an average small business customer (consuming 10MWh per annum) increased by 18%, resulting in an annual electricity bill of \$3,753. The drivers of the price increase were the same as those that led to the 18% increase in residential Standing Contract prices from 1 July 2012 (i.e. the AER's decision to increase network charges from 1 July 2012 and the introduction of a carbon price).

The decision by the South Australian Government to deregulate energy retail prices from 1 February 2013 applied to all "small customers" (customers consuming less than 160MWh of electricity per annum), which includes small business customers. Prices for "large customers" (consuming more than 160MWh per annum) were deregulated from 1998.

Small business customers on the AGL Standing Contract as at 1 January 2013 received a 4.5% reduction in Standing Contract Prices from 1 February 2013, under the arrangement entered into by the South Australian Government and AGL. That price reduction was incorporated into the Standing Offer that applied from 1 February 2013. Small business customers were not eligible for the 9.1% price reduction that existing residential Standing Contract customers were entitled to.

The 4.5% price decrease was below the 8.1% price reduction proposed by the Commission in its October 2012 Draft Determination to reduce Standing Contract Prices from 1 January 2013. The Commission's proposed price reduction would have applied to both residential and small business Standing Contract customers.

From 1 August 2013, AGL increased its Standing Offer prices for small business customers, leading to a 2% bill increase on the previous available Standing Offer. However, this was still 3% below the Standing Contract Prices that applied from 1 July 2013 to 31 January 2013.

Table 3.1: AGL Standing Contract and Standing Offer Bills for New Small Business Customers

	Standing Contract	AGL Standing Offer		Change from 1-Jul-12 to 16-Aug-13
Date offer available from	1-Jul-12	1-Feb-13	16-Aug-13	
Annual Small Business Bill (10,000kWh p.a.)	\$ 3,753	\$3,584	\$3,673	
Change in Bill		-\$169	+\$89	-\$80
		-4.5%	+2.5%	-2.1%

3.1.2 All Standing Offer Small Business Electricity Prices from 1 February 2013

Movements in each retailer's Standing Offer bill for small business customers are shown in Table 3.2.

Table 3.2: Standing Offer Bills for New Small Business Customers

Retailer	Standing Offer Avg. Small Business Bill as at 1 February 2013	Standing Offer Avg. Small Business Bill as at 16 August 2013	% change
AGL	\$3,584	\$3,673	+2.5%
Alinta Energy	\$3,810	N/A ²¹	N/A
Diamond Energy	\$4,116	\$3,993	-3.0%
EnergyAustralia	N/A ²²	\$4,119	N/A
Lumo Energy	\$3,810	\$3,505	-8.0%
Momentum Energy	\$3,864	\$3,864	-
Origin Energy	\$3,811	\$3,914	+2.7%
Powerdirect	\$3,909	\$3,909	-
QEnergy Limited	\$3,648	\$3,648	-
Red Energy	\$3,937	\$3,879	-1.5%
Simply Energy	N/A ²³	\$3,905	N/A
Simple Average	\$3,832	\$3,841	+0.2%

²¹ Alinta Energy did not have a Standing Offer for small business customers as at 16 August 2013.

²² EnergyAustralia did not have a Standing Offer for small business customers as at 1 February 2013.

²³ Simply Energy did not have a Standing Offer for small business customers as at 1 February 2013.

The small business Standing Offer annual bills that applied as of 1 February 2013 ranged from \$3,648 (QEnergy) to \$4,116 (Diamond Energy). The estimated simple average annual Standing Offer bill across all retailers at that time was \$3,832.

Only two retailers increased Standing Offer prices between 1 February 2013 and 16 August 2013 (Origin Energy and AGL). Three retailers reduced their Standing Offer prices. The simple average annual Standing Offer bill as of 16 August 2013 was \$3,841; 0.2% higher than on 1 February 2013.

Simple average annual Standing Offer prices between 1 February 2013 and 16 August 2013 stayed relatively constant, which is reasonably consistent with the 1.7% impact of SA Power Networks' electricity distribution price increase from 1 July 2013.

3.2 Market Offer Prices

For the residential sector, the Commission has been able to report on Market Offer prices prior to 31 January 2013 as a result of it having collected that data for the purposes of its now de-commissioned *Estimator* price comparison service. While the Commission ran an Estimator service for small business customers, it relied on customers inputting their own Market Offers. The Commission did this due to the non-standardised nature of small business Market Offers.

The Commission therefore does not have any pre-31 January 2013 small business Market Offer pricing data to draw upon for this Ministerial Pricing Report, nor is it aware of any other public source of that data. This report is consequently limited to electricity and gas small business prices from 31 January 2013.

3.2.1 Market Offer prices as at 31 January 2013

Annual bills resulting from small business Market Offers are set out in the table below.

Table 3.3: Small Business Annual Electricity Market Offer Bills as at 31 January 2013

	Minimum offer	Maximum offer	Simple Average offer
AGL	\$3,278	\$4,343	\$3,910
Diamond Energy	\$3,964	\$4,370	\$4,109
EnergyAustralia	\$3,526	\$4,290	\$3,844
Lumo Energy	\$3,816	\$3,816	\$3,816
Momentum Energy	\$3,137	\$3,774	\$3,461
Origin Energy	N/A	N/A	N/A
Powerdirect	\$3,233	\$4,393	\$3,705
Red Energy	\$3,537	\$4,084	\$3,893
Simply Energy	\$3,188	\$4,562	\$3,848
Simple Average	\$3,460	\$4,204	\$3,823

The simple average of the annual small business electricity Market Offer bill as at 31 January 2013 was \$3,823.

The cheapest electricity small business Market Offer as at 31 January 2013 was provided by Momentum Energy (\$3,137) with Simply Energy offering the most expensive bill (\$4,562).

3.2.2 Market Offer prices as at 30 June 2013

Movements in small business Market Offer bills between 31 January 2013 and 30 June 2013 is set out in the table below.

Table 3.4: Small Business Annual Electricity Market Offer Bills as at 30 June 2013

	Minimum offer	% change from 31-Jan-13 bill	Maximum offer	% change from 31-Jan-13 bill	Simple average offer	% change from 31-Jan-13 bill
AGL	\$3,117	-4.9%	\$3,988	-8.2%	\$3,506	-10.3%
Diamond Energy	\$3,964	-	\$4,370	-	\$4,109	-
EnergyAustralia	\$3,887	+10.2%	\$3,887	-9.4%	\$3,887	+1.1%
Lumo Energy	\$3,505	-8.2%	\$4,426	+16.0%	\$3,938	+3.2%
Momentum Energy	\$3,081	-1.8%	\$4,303	+14.0%	\$3,458	-0.1%
Origin Energy	\$3,140	-	\$4,659	-	\$3,989	-
Powerdirect	\$3,125	-3.3%	\$4,450	+1.3%	\$3,764	+1.6%
QEnergy	\$3,170	-	\$4,362	-	\$3,660	-
Red Energy	\$3,326	-6.0%	\$4,591	+12.4%	\$3,904	+0.3%
Simply Energy	\$3,191	+0.1%	\$4,588	+0.6%	\$3,776	-1.9%
Simple Average	\$3,350	-3.2%	\$4,363	+3.8%	\$3,799	-0.6%

As at 30 June 2013, the simple average Market Offer annual bill was \$3,799, 0.6% lower than on 31 January 2013. This contrasts with the 4.5% reduction in electricity small business Standing Contract prices that occurred between 1 February 2013 and 30 June 2013. As Market Offer prices are unregulated, there is no obligation on retailers to pass on Market Offer price reductions similar to those of Standing Offers.

The cheapest Market Offer was provided by Momentum Energy (\$3,081) and the most expensive offer by Origin Energy (\$4,659).

3.2.3 Market Offer prices as at 16 August 2013

Table 3.5: Small Business Annual Electricity Market Offer Bills as at 16 August 2013

	Minimum offer	% change from 30-Jun-13 bill	Maximum offer	% change from 30-Jun-13 bill	Simple average offer	% change from 30-Jun-13 bill
AGL	\$3,233	+3.7%	\$4,252	+6.6%	\$3,645	+3.9%
Diamond Energy	\$3,470	-12.5%	\$4,429	+1.4%	\$3,749	-8.7%
EnergyAustralia	\$3,707	-4.6%	\$4,828	+24.2%	\$4,129	+6.2%
Lumo Energy	\$3,505	-	\$4,657	+5.2%	\$3,982	+1.1%
Momentum Energy	\$3,438	+11.6%	\$4,303	-	\$3,669	+6.1%
Origin Energy	\$3,204	+2.0%	\$4,891	+5.0%	\$4,074	+2.1%
Powerdirect	\$3,205	+2.6%	\$4,562	+2.5%	\$3,882	+3.1%
QEnergy	\$3,170	-	\$3,997	-8.4%	\$3,579	-2.2%
Red Energy	\$3,492	+5.0%	\$4,591	-	\$4,028	+3.2%
Simply Energy	\$3,253	+1.9%	\$4,685	+2.1%	\$3,812	+0.9%
Simple Average	\$3,368	+0.5%	\$4,519	+3.6%	\$3,855	+1.5%

Between 1 July 2013 and 16 August 2013, the simple average bill across all small business Market Offers increased by 1.5% to \$3,855. This is broadly consistent with the increase that would be attributable to SA Power Networks' distribution price increase (1.7% price impact).

The cheapest provider of small business Market Offers as at 16 August 2013 was QEnergy (\$3,170). The most expensive small business retailer was Origin Energy (\$4,891).

3.2.4 Comparison of Standing Contracts/Offer to Market Offers

Since 1 February 2013, the change in the value of the average small business bill based on the simple average of the Standing Contract/Offer rose 2.8% whereas Market Offers rose by 0.8%, as Table 3.6 shows.

Table 3.6: Comparison of Small Business Annual Electricity Bills based on Standing Contract/Offers and Market Offers

	1-Jul-12	31-Jan-13	30-Jun-13	16-Aug-13	Change since 1-Jul-12
Standing Contract	\$ 3 753	\$3 584	-	-	
Simple Average of Standing Offers	-	-	\$ 3 833	\$ 3 859	+ 0.7%
Simple Average of Standing Contract /Offers	\$ 3 753	\$ 3 584	\$ 3 833	\$ 3 859	+ 2.8%
Simple Average of Market Offers	N/A	\$ 3 823	\$ 3 800	\$ 3 856	+ 0.8%
Difference \$		- \$ 239	- \$ 32	- \$ 3	
Difference %		- 6.7%	- 0.8%	- 0.1%	

Since 1 February 2013, the difference between the simple averages of the Standing Contract/Offers and Market Offers remains very small.

4. RESIDENTIAL GAS PRICES

4.1 Standing Contract/Offer Prices

Prior to 1 February 2013, Origin Energy was the only retailer required to offer the Standing Contract in the South Australian gas retail market, based on prices that were regulated by the Commission. At that time, less than 20% of small gas customers were on the Standing Contract.

From 1 February 2013, all gas retailers are required to publish a gas Standing Offer, consistent with the requirements in the electricity retail market. Gas Standing Offer prices are not regulated.

4.1.1 Origin Energy Standing Contract and Standing Offer Prices

The annual residential bills that result from Origin Energy's gas Standing Contract/Standing Offer prices from 1 July 2012 are shown in the table below.

Table 4.1: Origin Energy Standing Contract/Offer Average Annual Residential Bill

Origin Annual Bill for 21,000MJ p.a.	Adelaide	Mt Gambier	Port Pirie	Riverland	Whyalla	Average Change
Standing Contract from 1-Jul-12	\$909	\$921	\$920	\$926	\$921	
Standing Offer from 1-Feb-13	\$900	\$912	\$911	\$917	\$911	-1.0%
Standing Offer from 1-Aug-13	\$1,020	\$1,032	\$1,031	\$1,037	\$1,032	+13.2%

While all retailers are required to have Standing Offers available in each region, it has historically been the case that only Origin Energy actively markets to regions outside of Adelaide.

Origin Energy's gas Standing Contract prices were differentiated across various regions of South Australia (Adelaide²⁴, Mt. Gambier, Port Pirie, Riverland and Whyalla), reflecting differences in the costs to Origin Energy of selling gas in those regions.

Residential gas Standing Contract prices increased by 17.7% on 1 July 2012 to reflect the AER's decision to increase distribution network charges from 1 July 2012 (contributing 12.3% of the increase) and the introduction of the carbon price (4.5% increase). As shown in Table 4.1, residential gas Standing Contract prices that applied during the period 1 July 2012 to 31 January 2013 produced a simple average bill that ranged from \$909 (Adelaide) to \$926 (Riverland).

²⁴ Includes Barossa and Peterborough.

On 1 February 2013, as part of the South Australian Government's arrangements for deregulation of energy retail prices, Origin Energy implemented a 1% decrease in the price applicable to its existing Standing Contract customers.²⁵ This reduced the simple average residential gas bill for customers on that contract in the Adelaide region from \$909 to \$900 per annum. Origin Energy continued to sell gas to those customers under its Standing Offer.

From 1 August 2013, Origin increased its Standing Offer prices for residential customers by an average of 13.2% (\$120).

4.1.2 All Standing Offer Residential Gas Prices from 1 February 2013

Changes to residential gas Standing Offer bills for each retailer is set out in the table below.

Table 4.2: Gas Standing Offer Bills for New Residential Customers

Retailer (Region)	Standing Offer Avg. Residential Bill as at 1 February 2013	Standing Offer Avg. Residential Bill as at 1 August 2013	% change
AGL (Adelaide)	\$910	\$1,030	+13.2%
AGL (Mt Gambier)	\$922	\$1,043	+13.1%
AGL (Port Pirie)	\$921	\$1,042	+13.1%
AGL (Riverland)	\$927	\$1,050	+13.3%
AGL (Whyalla)	\$921	\$1,043	+13.2%
Alinta Energy (Adelaide)	\$ 909	\$ 1,073	+18.0%
Origin Energy (Adelaide)	\$900	\$1,020	+13.3%
Origin Energy (Mt Gambier)	\$912	\$1,032	+13.2%
Origin Energy (Port Pirie)	\$911	\$1,031	+13.2%
Origin Energy (Riverland)	\$917	\$1,038	+13.2%
Origin Energy (Whyalla)	\$911	\$1,032	+13.3%
EnergyAustralia (all regions)	\$977	\$1,134	+16.1%
Simply Energy (all regions)	\$909	\$1,006	+10.7%
Simple average	\$919	\$1,044	+13.6%

There are five retailers of gas to residential customers in South Australia: Origin Energy, AGL, EnergyAustralia, Alinta Energy and Simply Energy.

Of the five gas retailers, only Origin Energy and AGL differentiate their Standing Offer prices in each of the five regions. EnergyAustralia and Simply Energy have uniform Standing Offer

²⁵ Refer http://www.premier.sa.gov.au/images/news_releases/12_12Dec/energyprice.pdf and <http://www.originenergy.com.au/news/article/asxmedia-releases/1452>.

prices in each of the five regions and Alinta Energy has a single Standing Offer price for the Adelaide region.

From 1 February 2013, the simple average residential gas bill across all Standing Offers ranged from \$900 (Origin Energy – Adelaide) to \$977 (Energy Australia – all regions).

By 1 August 2013, all gas retailers had increased their Standing Offer prices by a simple average of 13%. This may partly be explained by an 18.7% increase in Envestra's gas distribution charges, which increased gas residential bills by around 8% (\$70 per annum).

Simply Energy had the cheapest Standing Offer bill (\$1,006) while EnergyAustralia continued to have the most expensive Standing Offer (\$1,134).

Table 4.2 summarises the movements in gas residential Standing Offer bills between 1 February 2013 and 1 August 2013.

4.2 Market Offer Prices

While there are five gas retailers in South Australia, only three of them sell gas to small customers on a stand-alone basis. Alinta Energy and Simply Energy provide residential gas Market Offers, but only for residential customers that also purchase an electricity Market Offer. As mentioned in Chapter 1, the Commission has excluded dual-fuel offers from its analysis and Alinta Energy and Simply Energy are therefore not reflected in the following discussion.

4.2.1 Market Offer prices as at 30 June 2012

Residential gas Market Offer prices that were available as at 30 June 2012 are set out in the table below.

Table 4.3: Residential Annual Gas Market Offer Bills as at 30 June 2012

	Minimum offer	Maximum offer	Simple average offer
AGL	\$714	\$750	\$734
EnergyAustralia	\$794	\$827	\$811
Origin Energy	\$710	\$767	\$733
Simple Average	\$739	\$781	\$759

As at 30 June 2012, residential gas Market Offer prices were all set below Origin Energy's gas Standing Contract Prices that applied at that time. The simple average Market Offer bill across all retailers was \$759.

Origin Energy had the cheapest Market Offer prices, producing an annual bill of \$710. EnergyAustralia had the most expensive Market Offer (\$827).

4.2.2 Market Offer prices as at 31 January 2013

Changes to gas residential Market Offer prices between 1 July 2012 and 31 January 2013 are set out in the table below.

Table 4.4: Residential Annual Gas Market Offer Bills as at 31 January 2013

	Minimum offer	% change from 30-Jun-12 bill	Maximum offer	% change from 30-Jun-12 bill	Simple average offer	% change from 30-Jun-12 bill
AGL	\$830	+16.2%	\$888	+18.4%	\$852	+16.0%
EnergyAustralia	\$909	+14.4%	\$947	+14.5%	\$928	+14.5%
Origin Energy	\$837	+17.9%	\$987	+28.8%	\$908	+23.8%
Simple Average	\$859	+16.1%	\$941	+20.5%	\$896	+18.0%

As at 31 January 2013, the simple average Market Offer bill was \$896 per annum, which was 18% higher than the simple average bill based on 30 June 2012 prices. This is consistent with the 17.7% increase in gas Standing Contract prices from 1 July 2012, which was driven by the AER's decision to increase distribution network charges from 1 July 2012 and the introduction of a carbon price.

AGL had the lowest Market Offer bill (\$830) and Origin Energy had the most expensive Market Offer (\$987).

4.2.3 Market Offer prices as at 30 June 2013

Changes to gas residential Market Offer prices between 1 February 2013 and 30 June 2013 are set out in the table below.

Table 4.5: Residential Annual Gas Market Offer Bills as at 30 June 2013

	Minimum offer	% change	Maximum offer	% change	Simple average offer	% change
AGL	\$845	+1.8%	\$877	-1.2%	\$860	+1.0%
EnergyAustralia	\$860	-5.4%	\$948	+0.1%	\$909	-2.0%
Origin Energy	\$838	+0.1%	\$1,086	+10.0%	\$884	-2.7%
Simple Average	\$847	-1.3%	\$970	+3.1%	\$884	-1.3%

Gas retailers made relatively minor changes to their gas Market Offer prices during the February 2013 to July 2013 period. As at 30 June 2013, the simple average Market Offer price was \$884, which was 1.3% lower than on 31 January 2013.

Origin Energy had both the cheapest Market offer (\$838) and the most expensive Market Offer (\$1,086).

4.2.4 *Market Offer prices as at 16 August 2013*

Changes to gas residential Market Offer prices between 1 July 2013 and 16 August 2013 are set out in the table below.

Table 4.6: Residential Annual Gas Market Offer Bills as at 16 August 2013

	Minimum offer	% change from 31 Jan-13 bill	Maximum offer	% change from 31 Jan-13 bill	Simple average offer	% change from 31 Jan-13 bill
AGL	\$969	+14.7%	\$992	+13.0%	\$978	+13.8%
EnergyAustralia	\$998	+16.1%	\$1,134	+19.7%	\$1,063	+16.9%
Origin Energy	\$818	-2.3%	\$1,023	-5.8%	\$934	+5.6%
Simple Average	\$928	+9.6%	\$1,050	+8.2%	\$991	+12.1%

All retailers other than Origin Energy implemented significant Market Offer price increases throughout July and August 2013. As at 16 August 2013, the simple average Market Offer bill across all retailers was \$991, 12.1% higher than on 30 June 2013. This increase is broadly consistent with the 18.7% increase in Envestra's gas distribution charges, which increased gas residential bills by around 8% (\$70 per annum).

Origin Energy had the cheapest residential Market Offer (\$818), which was 2.3% lower than its cheapest Market Offer as at 30 June 2013. The most expensive Market Offer was from EnergyAustralia (\$1,134).

4.2.5 *Comparison of Standing Contracts/Offer to Market Offers*

Since 1 July 2012, the change in the value of the average residential bill based on the simple average of the Standing Contract/Offer rose 12.2% whereas the simple average of Market Offers rose by 30.6%, as Table 4.7 shows.

Table 4.7: Comparison of Residential Annual Gas Bills based on Standing Contract/Offers and Market Offers

	1-Jul-12	31-Jan-13	30-Jun-13	16-Aug-13	Change since 1-Jul-12
Standing Contract	\$ 909	\$ 909	-	-	
Simple Average of Standing Offers			\$ 900	\$ 1 020	
Simple Average of Standing Contract /Offers	\$ 909	\$ 909	\$ 900	\$ 1 020	12.2%
Simple Average of Market Offers	\$ 759	\$ 896	\$ 884	\$ 991	30.6%
Difference \$	-\$ 150	-\$ 13	-\$ 15	-\$ 29	
Difference %	-16.5%	-1.5%	-1.7%	-2.8%	

Table 4.7 also shows that since 1 July 2012, the difference between the simple averages of the Standing Contracts/Offers and Market Offers has generally narrowed.

Market Offer bills were substantially below (16.5%, \$150) the Standing Contract bill as at 1 July 2012. While Origin Energy reduced its Standing Contract prices by 1% from 1 February 2013, the simple average Market Offer bill increased, reducing the difference to 1.5% (\$13).

By 16 August 2013, the gap between the two had widened slightly to 2.8% (\$29).

5. SMALL BUSINESS GAS PRICES

5.1 Standing Contract/Offer Prices

5.1.1 Origin Energy Standing Contracts and Offers

The annual small business bills that result from Origin Energy's gas Standing Contract/Standing Offer prices from 1 July 2012 are shown in the table below.

Table 5.1: Origin Energy Standing Contract and Standing Offer Bills for New Small Business Customers

	Standing Contract	Origin Energy Standing Offer		Change from 1-Jul-12 to 16-Aug-13
Date offer available from	1-Jul-12	1-Feb-13	16-Aug-13	
Annual Small Business Bill (190,000MJ p.a.)	\$4,747	\$4,699	\$5,282	
Change in Bill		-\$48	+\$582	+\$535
		-1.0%	+12.4%	+11.3%

Under the Commission's 2011-2014 Gas Standing Contract Price Determination, small business gas Standing Contract prices increased by 19.4% on 1 July 2012. This was driven largely by an increase in distribution network charges, which are regulated by the AER (contributing 10.7% of the increase) and the introduction of the carbon price (adding a further 7.7% increase). The simple average small business Standing Contract bill that resulted from that price adjustment was \$4,747 per annum.

As part of the deregulation of energy retail prices, Origin Energy and the South Australian Government agreed that existing small business customers would receive a 1% reduction in Standing Contract prices from 1 February 2013. This decrease was implemented through Origin Energy's Standing Offer and led to an annual small business Standing Offer bill of \$4,699.

Origin Energy increased its Standing Offer prices on 1 August 2013 by 12% (\$582), increasing the annual small business gas bill to \$4,801; 11% higher than on 1 July 2012.

5.1.2 All Standing Offer Small Business Gas Prices from 1 February 2013

Changes to small business gas Standing Offer prices between 1 February 2013 and 16 August 2013 are set out in the table below.

Table 5.2: Standing Offer Bills for New Small Business Customers

Retailer	Standing Offer Avg. Small Business Bill as at 1 February 2013	Standing Offer Avg. Small Business Bill as at 16 August 2013	% change
AGL	\$4,699	\$5,332	+13.5%
Origin Energy	\$4,747	\$5,282	+11.3%
EnergyAustralia	N/A	\$5,954	-
Simple Average	\$4,724	\$5,523	+16.9%

All gas retailers were required to publish Standing Offer prices from 1 February 2013. The small business Standing Offer bills that applied as at that date ranged from \$4,699 (Origin Energy) to \$4,748 (AGL). EnergyAustralia did not publish a standing offer as required. The simple average of the other two retailers' Standing Offer bills as at 1 February 2013 was \$4,724.

EnergyAustralia published its Standing Offer to commence on 1 August 2013. All three retailers had new small business Standing Offer prices in place during July and August 2013. As at 16 August 2013, the simple average small business Standing Offer bill had increased by 16.9% to \$5,523. This simple average was driven up by the introduction of EnergyAustralia's Standing Offer. Excluding Energy Australia, the simple average increase in each of AGL's and Origin Energy's Standing Offer bill was 12.8%.

The increase in the simple average Market Offer bill is partly explained by the 8% bill increase that would result from Envestra's gas distribution price increase from 1 July 2013. However, as explained previously, the Commission does not have access to information to explain why the Standing Offer prices increased by more than that amount.

Origin Energy continued to provide the cheapest Standing Offer bill (\$4,801) while EnergyAustralia introduced the most expensive Standing Offer (\$5,954).

5.2 Market Offer Prices

There is no gas small business Market Offer data available prior to 1 February 2013, and little information on Market Offers available between February and July 2013. The Commission's analysis therefore commences from 30 June 2013.

5.2.1 Market Offer prices as at 30 June 2013

Small business gas Market Offers that were generally available on 30 June 2013 are set out in the table below.

Table 5.3: Small Business Annual Gas Market Offer Bills as at 30 June 2013

	Minimum offer	Maximum offer	Simple average offer
AGL	\$4,232	\$4,533	\$4,375
EnergyAustralia	\$4,840	\$5,954	\$5,271
Origin Energy	\$4,275	\$5,019	\$4,666
Simple Average	\$4,449	\$5,169	\$4,771

The simple average of the gas small business Market Offers as at 30 June 2013 was \$4,771.

The lowest small business gas Market Offer available as at 30 June 2013 was from AGL (\$4,232), with EnergyAustralia having the most expensive offer (\$5,954).

5.2.1 Market Offer prices as at 16 August 2013

Changes to gas small business Market Offers between 1 July 2013 and 16 August 2013 are set out in the table below.

Table 5.4: Small Business Annual Gas Market Offer Bills as at 16 August 2013

	Minimum offer	% change from 30-Jun-13 bill	Maximum offer	% change from 30-Jun-13 bill	Simple Average offer	% change from 30-Jun-13 bill
AGL	\$4,746	+12.1%	\$5,185	+14.4%	\$4,990	+14.1%
EnergyAustralia	\$5,359	+10.7%	\$5,954	-	\$5,567	+5.6%
Origin Energy	\$4,754	+11.2%	\$5,286	+5.3%	\$5,039	+8.0%
Simple Average	\$4,953	+11.3%	\$5,475	+5.9%	\$5,199	+9.0%

As at 16 August 2013, the simple average small business Market Offer bills across all retailers was \$5,199; 9% higher than on 30 June 2013. That increase is consistent with the 8% bill increase that would be expected from the increase in Envestra's gas distribution price from 1 July 2013.

AGL continued to provide the cheapest small business gas Market Offer (\$4,746), which was 12% higher than its cheapest Market Offer as at 30 June 2013. Other retailers also increased Market Offer prices through July and August 2013, with the most expensive offer being \$5,954 (EnergyAustralia).

5.2.2 Comparison of Standing Contracts/Offer to Market Offers

The limited historical Market Offer data for gas small business prices make a comparison to Standing Contract/Offer prices difficult. As shown in Table 5.5, a comparison can only be shown from 1 July 2013.

Table 5.5: Comparison of Small Business Annual Gas Bills based on Standing Contract/Offer and Market Offers

	1-Jul-12	31-Jan-13	30-Jun-13	16-Aug-13	Change since 1-Jul-13
Standing Contract Price	\$ 4 747	\$ 4 747	-	-	
Simple Ave Standing Offer	-	-	\$ 5 282	\$ 5 523	
Simple Average of Standing Contract Price/Offer	\$ 4 747	\$ 4 747	\$ 5 282	\$ 5 523	+ 4.6%
Average of Market Offers	N/A	N/A	\$ 4 771	\$ 5 199	+ 9.0%
Difference \$			-\$ 511	-\$ 324	
Difference %			- 9.7%	- 5.9%	

Table 5.5 shows that the simple average of the Market Offer bills were below (9.7%, \$511) the Standing Contract bills as at 1 July 2013 but the difference had narrowed to 5.9% (\$324) by 16 August 2013.

6. CONCLUSION

The overall change in the simple average of Standing Contract/Offer bills compared to Market Offer bills over the period 1 July 2012 to 16 August 2013 is set out in Table 6.1.

Table 6.1: Changes in Standing Contract/Offer bills compared to Market Offer bills between 1 July 2012 and 16 August 2013

	Change in simple average annual Standing Contract/Offer bill (1-Jul-12 to 16-Aug-13)	Change in simple average annual Market Offer bill (1-Jul-12 to 16-Aug-13)	Difference between simple average annual Standing Offer bill and Market Offer bill as at 30 June 2013	Difference between simple average annual Standing Offer bill and Market Offer bill as at 16 August 2013
Electricity				
Residential	+2.2%	+18.7%	-\$178 (-8.8%)	-\$132 (-6.5%)
Small Business	+2.8%	+0.8%	-\$32 (-0.8%)	-\$4 (-0.1%)
Gas				
Residential	+12.2%	+30.6%	-\$15 (-1.7%)	-\$29 (-2.8%)
Small Business	+4.6%	+9.0%	-\$511 (-9.7%)	-\$324 (-5.9%)

As Table 6.1 shows, residential Market Offer bills have increased by a greater percentage than small business Market Offer bills during the period 1 July 2012 to 16 August 2013. Market Offer bills have also generally increased by more than Standing Offer bills. However, the Commission's analysis shows that Market Offer prices are still generally much lower than Standing Offer prices, and all customers remaining on Standing Offers can access significant savings by switching to a Market Offer. Customers are encouraged to use the Australian Energy Regulator's *Energy Made Easy* website to compare energy retail offers and contact energy retailers directly to discuss available offers.

ANNEXURE A – REGULATIONS

Electricity (General) Regulations 2012

12—Functions and powers of Commission

- (1) Pursuant to section 6A of the Act, the Commission has (in addition to the Commission's functions and powers under the Act and the *Essential Services Commission Act 2002*) the following functions and powers:
...
 - (c) on or before 31 August in each year, to submit to the Minister and publish on its website a report prepared for the purposes of monitoring prices for the sale of electricity available to a small customer under the *National Energy Retail Law (South Australia)* during the immediately preceding financial year containing the information required by the Minister under subregulation (2).
- (2) The Minister may require the following information for the year to which the report relates to be included in a report prepared under subregulation (1)(c):
 - (a) comparisons of standing offer prices of NERL retailers generally available to classes of small customers in South Australia;
 - (b) estimates relating to the annual cost to a small customer of electricity supplied to the customer (based on a reasonable estimate of the average annual level of consumption of electricity by a small customer in South Australia) under each standard retail contract of NERL retailers generally available to classes of small customers in South Australia;
 - (c) details relating to the difference in annual cost to a small customer of electricity supplied to the customer (based on a reasonable estimate of the average annual level of consumption of electricity by a small customer in South Australia) under market offer prices of NERL retailers generally available to classes of small customers in South Australia compared to the cost to that customer under standing offer prices of NERL retailers generally available to classes of small customers in South Australia;
 - (d) such other information as the Minister requires in writing to be included.
- (3) The Minister may require the information referred to in subregulation (2) to be presented in such manner and form as the Minister considers appropriate, including in the form of variations or trends over time.
- (4) In this regulation—
market offer prices, **standard retail contract** and **standing offer prices** have the same respective meanings as in the *National Energy Retail Law*.

6—Functions and powers of Commission

- (1) Pursuant to section 6A of the Act, the Commission has (in addition to the Commission's functions and powers under the Act and the *Essential Services Commission Act 2002*) the following functions:
...
 - (b) on or before 31 August in each year, to submit to the Minister and publish on its website a report prepared for the purposes of monitoring prices for the sale of gas available to a small customer under the *National Energy Retail Law (South Australia)* during the immediately preceding financial year containing the information required by the Minister under subregulation (2).
- (2) The Minister may require the following information for the year to which the report relates to be included in a report prepared under subregulation (1)(b):
 - (a) comparisons of standing offer prices of NERL retailers generally available to classes of small customers in South Australia;
 - (b) estimates relating to the annual cost to a small customer of gas supplied to the customer (based on a reasonable estimate of the average annual level of consumption of gas by a small customer in South Australia) under each standard retail contract of NERL retailers generally available to classes of small customers in South Australia;
 - (c) details relating to the difference in annual cost to a small customer of gas supplied to the customer (based on a reasonable estimate of the average annual level of consumption of gas by a small customer in South Australia) under market offer prices of NERL retailers generally available to classes of small customers in South Australia compared to the cost to that customer under standing offer prices of NERL retailers generally available to classes of small customers in South Australia;
 - (d) such other information as the Minister requires in writing to be included.
- (3) The Minister may require the information referred to in subregulation (2) to be presented in such manner and form as the Minister considers appropriate, including in the form of variations or trends over time.
- (4) In this regulation—
market offer prices, ***standard retail contract*** and ***standing offer prices*** have the same respective meanings as in the *National Energy Retail Law*.



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