

# SOUTH AUSTRALIAN ENERGY RETAIL PRICES

## MINISTERIAL PRICING REPORT 2014

August 2014



## ENQUIRIES

### South Australian Energy Retail Prices: Ministerial Pricing Report 2014

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The Essential Services Commission of South Australia is the independent economic regulator of the water, energy, ports, and rail industries in South Australia. The Commission's primary objective is the *protection of the long-term interests of South Australian consumers with respect to the price, quality and reliability of essential services*. For more information, please visit [www.escosa.sa.gov.au](http://www.escosa.sa.gov.au).

## GLOSSARY OF TERMS

<b>AER</b>	Australian Energy Regulator
<b>AEMO</b>	Australian Energy Market Operator
<b>Commission</b>	Essential Services Commission of South Australia
<b>Designated Retailer</b>	Under clause 2 of the National Energy Retail Law, a ‘Designated Retailer’ is defined as, in the case where there is: (a) no existing connection – the local area retailer; and (b) an existing connection – the financially responsible retailer for the premises.
<b>EME</b>	The Australian Energy Regulator’s <i>Energy Made Easy</i> energy price comparison website. It can be accessed at: <a href="http://www.energymadeeasy.gov.au">www.energymadeeasy.gov.au</a> .
<b>FiT</b>	Feed-in Tariff
<b>FY</b>	Financial Year
<b>GJ</b>	Gigajoule
<b>Market Offer</b>	Any retail electricity or gas offer that is not a Standing Offer
<b>Minister</b>	Minister for Mineral Resources and Energy
<b>Ministerial Pricing Report (MPR)</b>	Annual report required by Electricity (General) Regulations 2012, regulation 12 and the Gas Regulations 2012, regulation 6
<b>MJ</b>	Megajoule
<b>MWh</b>	Megawatt-hour
<b>NECF</b>	National Energy Customer Framework
<b>NERL</b>	<i>National Energy Retail Law (South Australia) Act 2011</i>

<b>NERL retailers</b>	Energy retailers authorised to sell electricity to customers under the <i>National Energy Retail Law (South Australia) Act 2011</i>
<b>OPCL</b>	Off-peak Controlled Load
<b>R-FiT</b>	Retailer-paid component of the solar feed-in tariff
<b>Report</b>	The second Ministerial Pricing Report
<b>Simple Average</b>	The mean of a group of numbers, which gives equal weight to each individual number within the group.
<b>Standing Contract</b>	Prior to the deregulation of the retail energy market, the contract offered by AGL for electricity and Origin Energy for gas to those customers who chose to not to enter into a Market Offer.
<b>Standing Offer</b>	Standing Offers are those which an energy retailer must make available to customers for which it is a Designated Retailer.
<b>Top 4</b>	The largest 4 retailers operating in the South Australian small customer electricity market by number of customers (residential and small business).

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## EXECUTIVE SUMMARY

The Essential Services Commission of South Australia (**Commission**) must provide to the Minister for Mineral Resources and Energy, annual comparison reports (**Ministerial Pricing Report**) on certain electricity and gas retail prices available to South Australian small customers (residential and small business customers).

This Ministerial Pricing Report (**Report**) discusses electricity and gas prices that were generally available to small customers on 30 June 2013 and 30 June 2014.

The key findings of this Report are that:

- ▲ Based on Market Offers available to consumers at 30 June 2013 and 30 June 2014:
  - Average price offerings available to **electricity** residential customers increased by 1.7%, while for small business customers average bills fell by 0.3%. The rate of inflation in South Australia for the 2013/14 Financial Year was 3.1%.
  - Average price offerings available to **gas** residential and small business customers increased by 14% and 12% respectively, substantially greater than the rate of inflation in South Australia of 3.1%. There are two drivers of that rise: gas distribution prices increased on 1 July 2013, adding around 8% to residential gas bills, and the wholesale cost of gas has increased.
- ▲ There were considerable variations in offers from different retailers and between offers from the same retailer. For example, if a residential electricity customer had taken up an offer available on 30 June 2014, they could have received an annual bill ranging from a minimum of \$1,641 up to a maximum of \$2,210 - a spread of \$569.
- ▲ There was potential for small customers to reduce their annual energy bills by moving from Standing Offers to Market Offers or, if already on a Market Offer, by considering alternative Market Offers. Customers can use the Australian Energy Regulator's (**AER**) *Energy Made Easy* website to compare all available offers.

### Context

This Report forms part of an overall pricing and market monitoring regime, introduced by the South Australian Government at the time of deregulating energy retail prices (1 February 2013). That regime permits the Government to inform itself, as the policy-maker, of the need to review or amend regulatory controls in the energy retail market for small customers.

A Ministerial Pricing Report must set out information on:

- ▲ the range of "Standing Offer" prices generally available to small customers
- ▲ estimates of the annual cost to a small customer under each of those "Standing Offer" prices
- ▲ the difference in the estimated average annual cost to a small customer under the available range of "Market Offer" prices generally available to small customers as compared to "Standing Offer" prices
- ▲ any other matter required by the Minister (no matters have been specified to date).

## Basis of observations

In preparing this Report, the Commission has used price information provided by the AER's *Energy Made Easy* price comparison website.<sup>1</sup>

In order to explain estimated average annual costs, and to ensure that changes in energy usage do not distort pricing impacts, the Commission based its observations on an *annual bill* approach, using consumption estimates that are fixed from year to year.

This Report presents its observations separately in relation to both the residential and small business market segments and uses simple averages (i.e. bill and price outcomes are not weighted by the number of customers who have accepted each offer).

## Electricity

For the period 30 June 2013 to 30 June 2014, electricity prices have remained relatively flat.

For the residential electricity sector, the key observations are that:

- ▲ Standing Offer annual bills ranged from \$1,948 (QEnergy) to \$2,210 (Sanctuary Energy) at 30 June 2014
- ▲ The average Standing Offer annual bill rose, from \$2,007 to \$2,050 (+2.2%), during 2013/14
- ▲ Market Offer annual bills ranged from \$1,641 (M2 Energy) to \$2,156 (Lumo Energy) at 30 June 2014
- ▲ The average Market Offer annual bill rose, from \$1,837 to \$1,868 (+1.7%), during 2013/14
- ▲ The average of all retailers' lowest Market Offer annual bills was 11.5% (\$236) cheaper than the average Standing Offer annual bill (\$1,814 versus \$2,050) at 30 June 2014.

For the small business sector, the key observations are that:

- ▲ Standing Offer annual bills ranged from \$3,505 (Lumo Energy) to \$4,122 (EnergyAustralia) at 30 June 2014
- ▲ The average Standing Offer annual bill rose, from \$3,814 to \$3,867 (+1.4%), during 2013/14
- ▲ Market Offer annual bills ranged from \$3,173 (QEnergy) to \$4,187 (Lumo Energy) at 30 June 2014
- ▲ The average Market Offer annual bill fell, from \$3,563 to \$3,554 (-0.3%), during 2013/14
- ▲ The average lowest Market Offer annual bill was 12.2% (\$471) cheaper than average Standing Offer annual bill (\$3,396 versus \$3,867) at 30 June 2014.

In addition, the Report makes the following observations on the electricity retail market:

- ▲ Four new electricity retailers entered the South Australian market, bringing the total to 16<sup>2</sup>

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<sup>1</sup> *Energy Made Easy* may be accessed at [www.energymadeeasy.gov.au](http://www.energymadeeasy.gov.au).

<sup>2</sup> It is noted, however, that one of the new retailers only offers a brokerage service to business customers who wish to be exposed to the wholesale electricity spot market and it may be inferred that these offers are not considered to be generally available to all small customers.



- ▲ The market share of the largest electricity retailer, AGL, fell by around 2% to 48%<sup>3</sup>
- ▲ AGL's next largest competitor, Origin Energy, holds 20% of the market
- ▲ At 30 June 2014, the combined market share of the top four electricity retailers (AGL, Origin Energy, Energy Australia and Simply Energy) was 86%, with the remaining 14% market share held by 12 retailers
- ▲ The 12 smallest electricity retailers increased their overall market share from 12% at 30 June 2013 to 14% at 30 June 2014.

## Gas

For the period 30 June 2013 to 30 June 2014, gas prices increased ranging from 12% to 16% (depending on the particular offer under consideration).

For the residential gas sector, the key observations of this Report are that:

- ▲ Standing Offer annual bills ranged from \$1,013 (Origin Energy) to \$1,134 (EnergyAustralia) at 30 June 2014
- ▲ The average Standing Offer annual bill rose, from \$914 to \$1,062 (+16.2%), during 2013/14
- ▲ Market Offer annual bills ranged from \$939 (Origin Energy) to \$1,110 (Energy Australia) at 30 June 2014
- ▲ The average Market Offer annual bill rose, from \$885 to \$1,007 (+13.9%), during 2013/14
- ▲ The average of all retailers' lowest Market Offer annual bills was 8.3% (\$88) cheaper than the average Standing Offer annual bill (\$973 versus \$1,062) at 30 June 2014.

For the small business sector, the key observations are that:

- ▲ Standing Offer annual bills ranged from \$5,191 (Origin Energy) to \$ 5,954 (EnergyAustralia) at 30 June 2014
- ▲ The average Standing Offer annual bill rose, from \$4,702 to \$5,444 (+15.8%), during 2013/14
- ▲ Market Offer annual bills ranged from \$5,019 (Origin Energy) to \$5,804 (EnergyAustralia) at 30 June 2014
- ▲ The average Market Offer annual bill rose, from \$4,681 to \$5,256 (+12.3%) during 2013/14
- ▲ The average of all retailers' lowest Market Offer annual bills was 5.9% (\$324) cheaper than the average Standing Offer annual bill (\$5,120 versus \$5,444) at 30 June 2014.

In addition, the report makes the following observations on the gas retail market:

- ▲ The number of gas retailers operating in South Australia (5 retailers) did not change over the past year
- ▲ The market share of the largest retailer, Origin Energy, fell by 0.5% to 46% (although it did increase its customer numbers)<sup>4</sup>

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<sup>3</sup> AGL was the regulated electricity retailer for all small customers in South Australia prior to the introduction of full retail contestability in January 2003.

- ▲ Origin Energy's next largest competitor, AGL, holds 31% of the market
- ▲ At 30 June 2014, the combined market share of these two retailers was 77%, with the remaining 23% market share held by three retailers.

## Summary of observations

A comparison of Standing and Market Offer bills is presented in the table below. The table shows the movement in average annual Standing Offer bills and average annual Market Offer bills between 30 June 2013 and 30 June 2014. The percentage increase in average Standing Offer bills for both customer types and for each fuel type has exceeded that of average Market Offer bills.

### ***Changes in average Standing Offer bills compared with average Market Offer bills between 30 June 2013 and 30 June 2014***

CUSTOMER SEGMENT	CHANGE IN AVERAGE ANNUAL STANDING OFFER BILL OVER FY 2013/14		CHANGE IN AVERAGE ANNUAL MARKET OFFER BILL OVER FY 2013/14	
	\$ var	% var	\$ var	% var
<b>Electricity</b>				
Residential	+\$ 43	+ 2.2%	+\$ 31	+ 1.7%
Small Business	+\$ 52	+ 1.4%	-\$ 9	- 0.3%
<b>Gas</b>				
Residential	+\$ 148	+ 16.2%	+\$ 123	+ 13.9%
Small Business	+\$ 559	+ 15.8%	+\$ 575	+ 12.3%

<sup>4</sup> Origin Energy was the regulated gas retailer for all small customers in South Australia prior to the introduction of full retail contestability in July 2004.

The table below shows the spread between Standing and Market Offer bills at 30 June 2013 and 30 June 2014. Across customer types and fuel types, there was a greater discount between the average Market Offer bill and average Standing Offer bill at 30 June 2014 than there was at 30 June 2013.

***Differences between average Standing and average Market Offer bills***

CUSTOMER SEGMENT	30 JUNE 2013		30 JUNE 2014	
	\$ var	% var	\$ var	% var
<b>Electricity</b>				
Residential	-\$ 171	- 8.5%	-\$ 183	- 8.9%
Small Business	-\$ 251	- 6.6%	-\$ 313	- 8.1%
<b>Gas</b>				
Residential	-\$ 29	- 3.2%	-\$ 55	- 5.1%
Small Business	-\$ 20	- 0.4%	-\$ 188	- 3.4%

# 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 second annual Ministerial Pricing Report (**Report**).

In preparing this 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.***

This Report forms part of an overall pricing and market monitoring regime, introduced by the South Australian Government at the time of deregulating energy retail prices (1 February 2013).<sup>5</sup> 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 (**AEMO**) and by the Australian Energy Regulator (**AER**), to inform itself of the state of the market and, potentially, of the need to review or amend regulatory controls.

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.<sup>6</sup> Standing Offers are those which an energy retailer must make available to customers for which it is a designated retailer.<sup>7</sup> 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.

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

- ▲ the range of "Standing Offer" prices generally available to small customers<sup>8</sup>
- ▲ the range of "Market Offer" prices generally available to small customers
- ▲ the difference between average "Standing Offer" prices and "Market Offer" prices generally available to small customers
- ▲ any other matter required by the Minister.

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<sup>5</sup> 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).

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

<sup>7</sup> 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 where there is an existing connection – the financially responsible retailer for the premises.

<sup>8</sup> 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.

In order to explain these matters, this Report uses an “average annual bill” as a benchmark. As discussed in section 1.4 and in Annexure B of this Report, annual bills have been calculated based on fixed energy consumption profiles. This approach ensures that any movements in annual bills can be attributed to price movements, not changes in energy usage.

## 1.1 Authorised NERL retailers

This Report provides information on offers available from energy retailers to South Australian residential and small business customers authorised under the *National Energy Retail Law (South Australia) Act 2011 (NERL)*.

At 30 June 2014, there were 16 authorised NERL retailers actively operating in South Australia (Table 1.1 below). This compares with 12 retailers that were active in June 2013. Since June 2013, the following retailers have entered the South Australian market:

- ▲ ERM Power Retail Pty Ltd entered during October 2013, retailing electricity to the small business sector
- ▲ Pacific Hydro entered during the December 2013 quarter, retailing electricity and gas to both residential and small business customers
- ▲ Progressive Green entered during the December 2013 quarter, retailing electricity to mainly large business customers<sup>9</sup>
- ▲ M2 Energy Pty Ltd entered during the March 2014 quarter retailing electricity and gas to both residential and small business customers. M2 Energy Pty Ltd retails to residential customers as Dodo Power and Gas, and retails to small business customers as Commander Power and Gas.

Fourteen of the 16 retailers were selling electricity to small business customers, while only four retailers were selling gas to small business customers. (Two of the gas retailers, Simply Energy and Alinta Energy, have a gas Standing Offer but no gas Market Offers available while, for electricity, Alinta Energy provides a Standing Offer but no Market Offers)

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<sup>9</sup> Progressive Green is not listed on the *Energy Made Easy* website despite having a small number of small business customers as reported by AEMO’s monthly metering statistics. Information from Progressive Green indicates that it does not actively market to small business customers. Progressive Green acts as an electricity broker/retailer to large customers who wish to be exposed to the wholesale electricity spot market and it may be inferred that these offers are not considered to be generally available to all small customers. Due to the lack of formal market offers published on either Progressive Green’s website or on *Energy Made Easy*, the Commission has not included Progressive Green in its analysis.

**Table 1.1: Authorised NERL retailers (at 30 June 2014)**

RETAILER	SELLING ELECTRICITY TO:		SELLING GAS TO:	
	Residential	Small Business	Residential	Small Business
AGL Energy	✓	✓	✓	✓
Alinta Energy*	✓	☐	✓	☐
Diamond Energy	✓	✓	☐	☐
<b>M2 Energy (Dodo &amp; Commander)</b>	✓	✓	☐	☐
EnergyAustralia	✓	✓	✓	✓
<b>ERM Power</b>	☐	✓	☐	☐
Lumo Energy	✓	✓	☐	☐
Momentum Energy	✓	✓	☐	☐
Origin Energy	✓	✓	✓	✓
<b>Pacific Hydro</b>	✓	✓	☐	☐
Powerdirect	✓	✓	☐	☐
<b>Progressive Green</b>	☐	✓	☐	☐
QEnergy	✓	✓	☐	☐
Red Energy	✓	✓	☐	☐
Sanctuary Energy	✓	☐	☐	☐
Simply Energy*	✓	✓	✓	☐

\* Simply Energy and Alinta Energy currently have gas Standing Offers, but do not have any stand-alone gas Market Offers available (Alinta Energy only offers gas to its electricity customers as part of a combined “dual fuel” offer).

NB: Retailers in blue are new to the market since 30 June 2013.

## 1.2 The nature of Standing and Market Offers

### 1.2.1 Standing Offers

Each retailer authorised to sell electricity under the NERL must publish “Standing Offer” prices. The Standing Offer is an element of the National Energy Customer Framework (**NECF**), arising under the *National Energy Retail Law (South Australia) Act 2011*.

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 the previous occupant or 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 immediate preceding customer at the same premises.

The NERL prohibits retailers from changing the terms of their Standing Offers more often than every 6 months, and in practice they are often only changed annually.

In addition, Standing Offers are commonly marketed as the offer against which Market Offer discounts are measured.

### 1.2.2 Market Offers

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, early termination fees, and various other fees and charges.

Retailers are free to change their Market Offers at any time.

## 1.3 Report Structure

This Report presents analysis of annual bills, firstly for electricity and then for gas. Annual bills are separately presented for residential and small business customers and, within each customer category, Standing Offers are presented first, followed by Market Offers.

The bill analysis is segmented as follows:

- ▲ Overall outcomes – presents the simple overall average<sup>10</sup> of each retailer's average bill changes for the various offers under consideration.
- ▲ Lowest and highest offers – provides commentary on the cheapest and most expensive generally available offers
- ▲ Outcomes for the top four retailers – analyses the bill changes that apply to customers of the largest four electricity retailers, as these have 86.4% of the electricity retail market.<sup>11</sup> With only five gas retailers, this analysis is not provided in the gas section
- ▲ Differences between Standing and Market Offers – highlights the discounts that Market Offers provide relative to Standing Offers.

## 1.4 Key Assumptions

Details of the assumptions that underpin the analysis in this Report are discussed in detail in Annexure B. Key assumptions adopted by the Commission include:

- ▲ Bills are calculated on an annual basis - and are net of any cash discounts offered
- ▲ Annual electricity consumption is 5,000kWh for residential consumers and 10,000kWh for small business: any change in actual demand over time is ignored, to enable a consistent

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<sup>10</sup> This simple (or unweighted) overall average is determined using the following two-step process: firstly, the average of each individual retailer's portfolio of relevant offers is calculated and, finally, a simple average of all the individual retailers' result is determined. Note that the results are not weighted by the number of offers a retailer presents or in any other way.

<sup>11</sup> See Annexure B: Retail Market Shares.

basis for comparison of price movements, rather than any change arising in energy consumption profiles<sup>12</sup>

- ▲ Annual residential gas consumption is 21,000MJ, while for small businesses it is 190,000MJ
- ▲ All figures, with the exception of the retailer feed in tariff (R-FiT) in Annexure C, are GST inclusive
- ▲ All averages are simple averages and include all offers published on the *Energy Made Easy (EME)* website<sup>13</sup> at the relevant time. Accordingly, an average for a particular point in time may contain a different number of retailers and offers than for another point in time, due to the entry, or departure, of retailers from the market and/or the availability or otherwise of a retailer's new or special offers.

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<sup>12</sup> See Annexures B and D for more information on consumption profiles.

<sup>13</sup> See <http://energymadeeasy.gov.au>



## 2. RESIDENTIAL ELECTRICITY

### 2.1 Standing Offers

Residential Standing Offer annual bills available in South Australia based on offers available at 30 June 2014, compared to those available at 30 June 2013, are set out in the table below.

**Table 2.1: Residential annual electricity Standing Offer bills by retailer**

RETAILER	30 JUNE 2013	30 JUNE 2014	\$ CHANGE FY 2013/14	% CHANGE FY 2013/14
AGL	\$ 1,895	\$ 1,950	+\$ 55	+ 2.9%
EnergyAustralia	-	\$ 2,059	-	-
Origin Energy	\$ 1,968	\$ 2,079	+\$ 112	+ 5.7%
Simply Energy	\$ 1,985	\$ 2,027	+\$ 42	+ 2.1%
<b>Subtotal: Simple average (top 4 retailers)</b>	<b>\$ 1,949</b>	<b>\$ 2,029</b>	<b>\$ 70</b>	<b>+ 4.1%</b>
Alinta Energy	\$ 1,985	\$ 2,054	+\$ 69	+ 3.5%
Diamond Energy	\$ 2,023	\$ 2,023	-	-
M2 Energy (Dodo)	-	\$ 1,986	-	-
Lumo Energy	\$ 1,985	\$ 2,013	+\$ 29	+ 1.4%
Momentum Energy	\$ 1,996	\$ 2,178	+\$ 181	+ 9.1%
Pacific Hydro	-	\$ 2,169	-	-
Powerdirect	\$ 1,931	\$ 1,987	+\$ 55	+ 2.9%
QEnergy	\$ 1,905	\$ 1,948	+\$ 43	+ 2.2%
Red Energy	\$ 2,089	\$ 2,023	-\$ 66	- 3.2%
Sanctuary Energy	\$ 2,316	\$ 2,210	-\$ 106	- 4.6%
<b>Subtotal: Simple average (small retailers)</b>	<b>\$ 2,029</b>	<b>\$ 2,059</b>	<b>\$ +30</b>	<b>+ 1.5%</b>
<b>Simple Average (all retailers)</b>	<b>\$ 2,007</b>	<b>\$ 2,050</b>	<b>\$ +43</b>	<b>+ 2.2%</b>

NB: Totals may not add due to rounding.

### 2.1.1 Overall outcomes

The simple average residential Standing Offer electricity bill increased from \$2,007 to \$2,050, a 2.2% increase during 2013/14. The majority of this increase occurred between 30 June 2013 and 30 September 2013, when Standing Offer prices increased to reflect an increase in electricity network charges. SA Power Networks' prices were adjusted on 1 July 2013, leading to an increase in the retail bill of an average residential customer of around 1.7% (or \$32).

Retailers progressively introduced their updated prices after this date (but not before 1 August 2013, due to the NERL prohibition on changes to Standing Offers more frequently than every six months).

### 2.1.2 Lowest and highest offers

The retailer with the cheapest Standing Offer annual bill, at the end of the period, was QEnergy (at \$1,948), closely followed by AGL (at \$1,950).

The retailer with the most expensive Standing Offer annual bill was Sanctuary Energy (at \$2,210).

### 2.1.3 Outcomes for the top 4 retailers

Over the twelve months to 30 June 2014, the top 4 retailers' annual Standing Offer bill increased by 4.1%. In contrast, the smaller retailers' annual Standing Offer bill increase was only 1.5% aided by the entry of M2 Energy (Dodo) in the March quarter with a lower than average Standing Offer bill. However, the average Standing Offer bill from the top 4 retailers remained below the average for the small retailers by \$30 (1.5%) at 30 June 2014.

## 2.2 Market Offers

Average residential annual electricity Market Offer bills in South Australia at 30 June 2014 are set out in the table below.

**Table 2.2: Average residential annual electricity Market Offer bills**

RETAILER	30 JUNE 2013	30 JUNE 2014	\$ CHANGE FY 2013/14	% CHANGE FY 2013/14
AGL	\$ 1,780	\$ 1,832	+\$ 52	+ 2.9%
EnergyAustralia	\$ 1,803	\$ 1,904	+\$ 100	+ 5.6%
Origin Energy	\$ 1,967	\$ 1,969	+\$ 2	+ 0.1%
Simply Energy	\$ 1,768	\$ 1,841	+\$ 73	+ 4.1%
<b>Subtotal: Simple average (top 4 retailers)</b>	<b>\$ 1,830</b>	<b>\$ 1,886</b>	<b>+\$ 57</b>	<b>+ 3.1%</b>

RETAILER	30 JUNE 2013	30 JUNE 2014	\$ CHANGE FY 2013/14	% CHANGE FY 2013/14
Alinta Energy	\$ 1,727	\$ 1,787	+\$ 60	+ 3.5%
Diamond Energy	\$ 1,998	\$ 1,791	-\$ 206	- 10.3%
M2 Energy (Dodo)	-	\$ 1,641	-	-
Lumo Energy	\$ 1,834	\$ 2,045	+\$ 211	+ 11.5%
Momentum Energy	\$ 1,777	\$ 2,002	+\$ 224	+ 12.6%
Pacific Hydro	-	\$ 1,889	-	-
Powerdirect	\$ 1,755	\$ 1,842	+\$ 87	+ 5.0%
QEnergy	-	\$ 1,822	-	-
Red Energy	\$ 1,809	\$ 1,892	+\$ 83	+ 4.6%
Sanctuary Energy	\$ 1,985	\$ 1,895	-\$ 90	- 4.5%
<b>Subtotal: Simple average (small retailers)</b>	<b>\$ 1,841</b>	<b>\$ 1,861</b>	<b>+\$ 20</b>	<b>+ 1.1%</b>
<b>Simple Average (all retailers)</b>	<b>\$ 1,837</b>	<b>\$ 1,868</b>	<b>+\$ 31</b>	<b>+ 1.7%</b>

NB: Totals may not add due to rounding.

All electricity retailers offered more than one Market Offer on 30 June 2014, so a comparison of the minimum residential electricity bills is provided in the table below.

**Table 2.3: Residential electricity minimum Market Offer bills**

RETAILER	30 JUNE 2013	30 JUNE 2014	\$ CHANGE FY 2013/14	% CHANGE FY 2013/14
AGL	\$ 1,731	\$ 1,782	+\$ 51	+ 2.9%
EnergyAustralia	\$ 1,696	\$ 1,790	+\$ 94	+ 5.6%
Origin Energy	\$ 1,748	\$ 1,810	+\$ 62	+ 3.6%
Simply Energy	\$ 1,688	\$ 1,759	+\$ 72	+ 4.2%
<b>Subtotal: Simple average (top 4 retailers)</b>	<b>\$ 1,716</b>	<b>\$ 1,785</b>	<b>+\$ 70</b>	<b>+ 4.1%</b>

RETAILER	30 JUNE 2013	30 JUNE 2014	\$ CHANGE FY 2013/14	% CHANGE FY 2013/14
Alinta Energy	\$ 1,727	\$ 1,787	+\$ 60	+ 3.5%
Diamond Energy	\$ 1,995	\$ 1,791	-\$ 204	- 10.2%
M2 Energy (Dodo)	-	\$ 1,641	-	-
Lumo Energy	\$ 1,646	\$ 1,897	+\$ 251	+ 15.3%
Momentum Energy	\$ 1,687	\$ 1,996	+\$ 309	+ 18.3%
Pacific Hydro	-	\$ 1,889	-	-
Powerdirect	\$ 1,662	\$ 1,762	+\$ 101	+ 6.1%
QEnergy	-	\$ 1,780	-	-
Red Energy	\$ 1,702	\$ 1,821	+\$ 119	+ 7.0%
Sanctuary Energy	\$ 1,985	\$ 1,895	-\$ 90	- 4.5%
<b>Subtotal: Simple average (small retailers)</b>	<b>\$ 1,772</b>	<b>\$ 1,826</b>	<b>+\$ 54</b>	<b>+ 3.1%</b>
<b>Simple Average (all retailers)</b>	<b>\$ 1,751</b>	<b>\$ 1,814</b>	<b>+\$ 63</b>	<b>+ 3.6%</b>

NB: Totals may not add due to rounding.

### 2.2.1 Overall outcomes

During the 2013/14 financial year, average residential Market Offer annual bills rose by 1.7%, with the September quarter rise of 1.6% accounting for most of this increase. The fall in average bills observed during the March quarter was due partly to the much lower bills from M2 Energy, which was more than \$200 lower than the average.<sup>14</sup>

The increase in simple average Market Offer bills between 30 June 2013 and 30 June 2014 can largely be attributed to the increase in residential electricity network prices on 1 July 2013, which added 1.7% to the average residential bill. Most retailers increased their Market Offer prices during August 2013.

The minimum residential electricity Market Offer bills have increased by 3.6% across all retailers, while the minimum Market Offer bills for the top four retailers are up by 4.1% over the year.

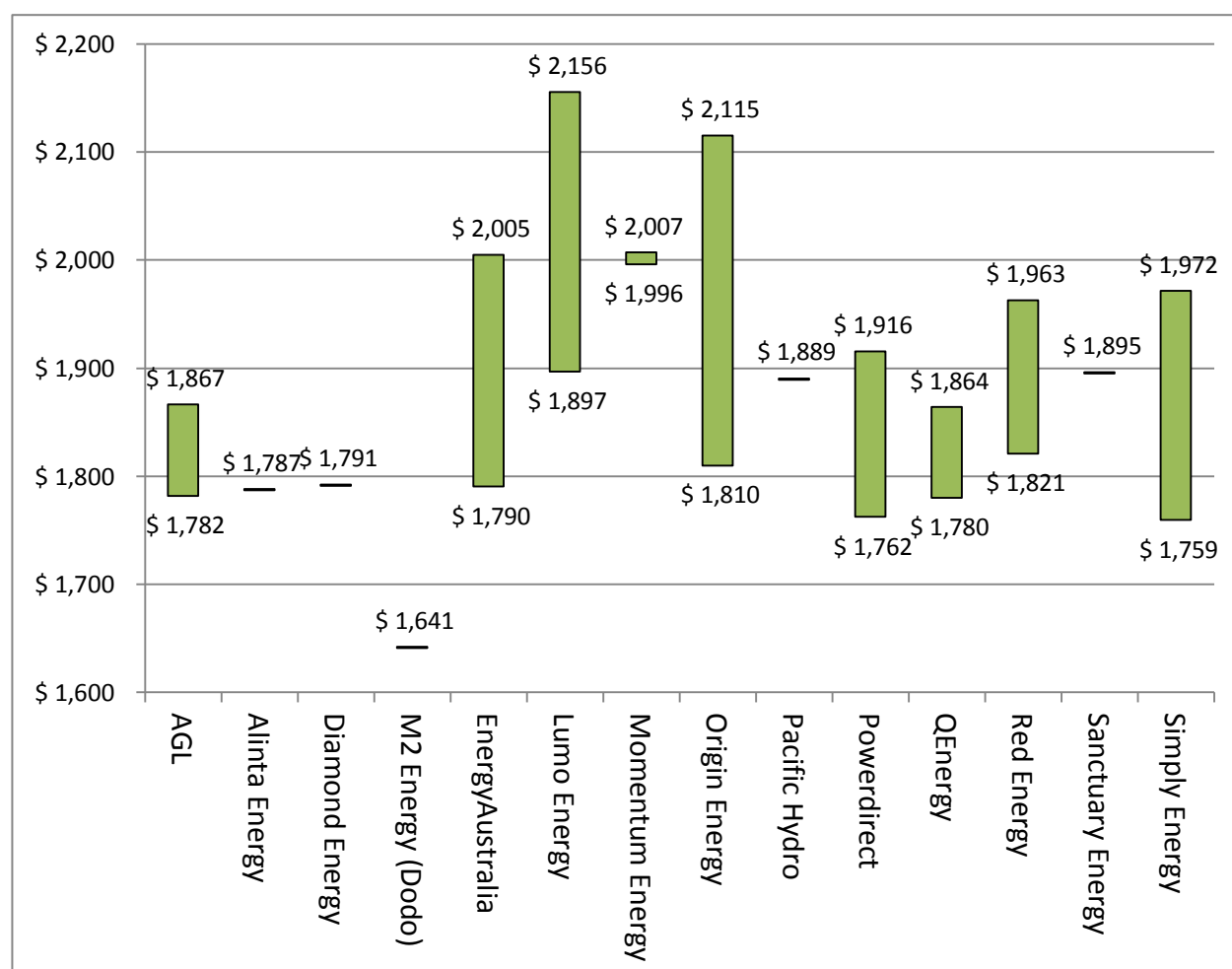
<sup>14</sup> After correcting for the unavailability of QEnergy's unpublished offer on 30 June 2013, the average increase in annual bills was: 1.6% during the September quarter, 0.5% during the December quarter, -0.9% during the March quarter, and 0.5% in the June quarter; resulting in a 1.7% overall increase for the 2013/14 financial year.

## 2.2.2 Lowest and highest offers

As at 30 June 2014, the lowest annual Market Offer bill was \$1,641 from M2 Energy (Dodo), whilst the highest maximum offer was from Lumo Energy at \$2,156.

There can be considerable variation in annual bills from the various Market Offers provided by each retailer, as shown in Figure 2.1.

**Figure 2.1: The range of residential electricity annual Market Offer bills by retailer at 30 June 2014.**



## 2.2.3 Outcomes for the top four retailers

The top four retailers increased their Market Offer prices to a larger extent than the smaller retailers.

Over the twelve month period to 30 June 2014, the overall increase in average annual bills is 3.1% for the top 4 retailers compared with 1.1% for the smaller retailers. However, the average Market Offer bill from the top four retailers remained below that of the small retailers at 30 June 2014, being \$41 (2.2%) lower. Most of the increase in bills occurred during the September quarter (2.1% for the top 4 retailers, 1.0% for the smaller retailers). For the March quarter, the top four retailers

did not increase their average market offer prices, but the simple average for the small retailers' bills fell, entirely due to Dodo's entry into the market.

As indicated in Table 2.2, there were wide variations in price movements between retailers and a weighted average bill analysis may deliver a very different result to the simple average bill estimate.

The largest difference can be found across the contracts offered by Origin Energy, where the bill can vary anywhere from \$1,810 to \$2,115 (a variation of \$305). The simple average variation between highest and lowest annual Market Offer bills across all retailers was \$105 (compared with \$67 in the March quarter and \$166 in June 2013). The variation between the highest annual Market Offer bill and the lowest, across all retailers, is \$515.

### 2.3 Comparison between Standing and Market Offers

Some customers may benefit from moving off the Standing Offer to a Market Offer. A comparison of retailers' cheapest Market Offer bills with their own Standing Offers reveals that an average saving of 11.5% (but up to 17.4%) can be achieved as shown in Table 2.4.

**Table 2.4: Comparison of residential annual electricity Standing Offer bills with the lowest Market Offer bills by retailer at 30 June 2014**

RETAILER	STANDING OFFER	LOWEST MARKET OFFER	DIFFERENCE \$	DIFFERENCE %
AGL	\$ 1,950	\$ 1,782	-\$ 168	- 8.6%
Alinta Energy	\$ 2,054	\$ 1,787	-\$ 267	- 13.0%
Diamond Energy	\$ 2,023	\$ 1,791	-\$ 231	- 11.4%
M2 Energy (Dodo)	\$ 1,986	\$ 1,641	-\$ 345	- 17.4%
EnergyAustralia	\$ 2,059	\$ 1,790	-\$ 268	- 13.0%
Lumo Energy	\$ 2,013	\$ 1,897	-\$ 116	- 5.8%
Momentum Energy	\$ 2,178	\$ 1,996	-\$ 181	- 8.3%
Origin Energy	\$ 2,079	\$ 1,810	-\$ 269	- 13.0%
Pacific Hydro	\$ 2,169	\$ 1,889	-\$ 280	- 12.9%
Powerdirect	\$ 1,987	\$ 1,762	-\$ 224	- 11.3%
QEnergy	\$ 1,948	\$ 1,780	-\$ 168	- 8.6%
Red Energy	\$ 2,023	\$ 1,821	-\$ 202	- 10.0%
Sanctuary Energy	\$ 2,210	\$ 1,895	-\$ 315	- 14.2%
Simply Energy	\$ 2,027	\$ 1,759	-\$ 268	- 13.2%
<b>Simple Average</b>	<b>\$ 2,050</b>	<b>\$ 1,814</b>	<b>-\$ 236</b>	<b>-11.5%</b>

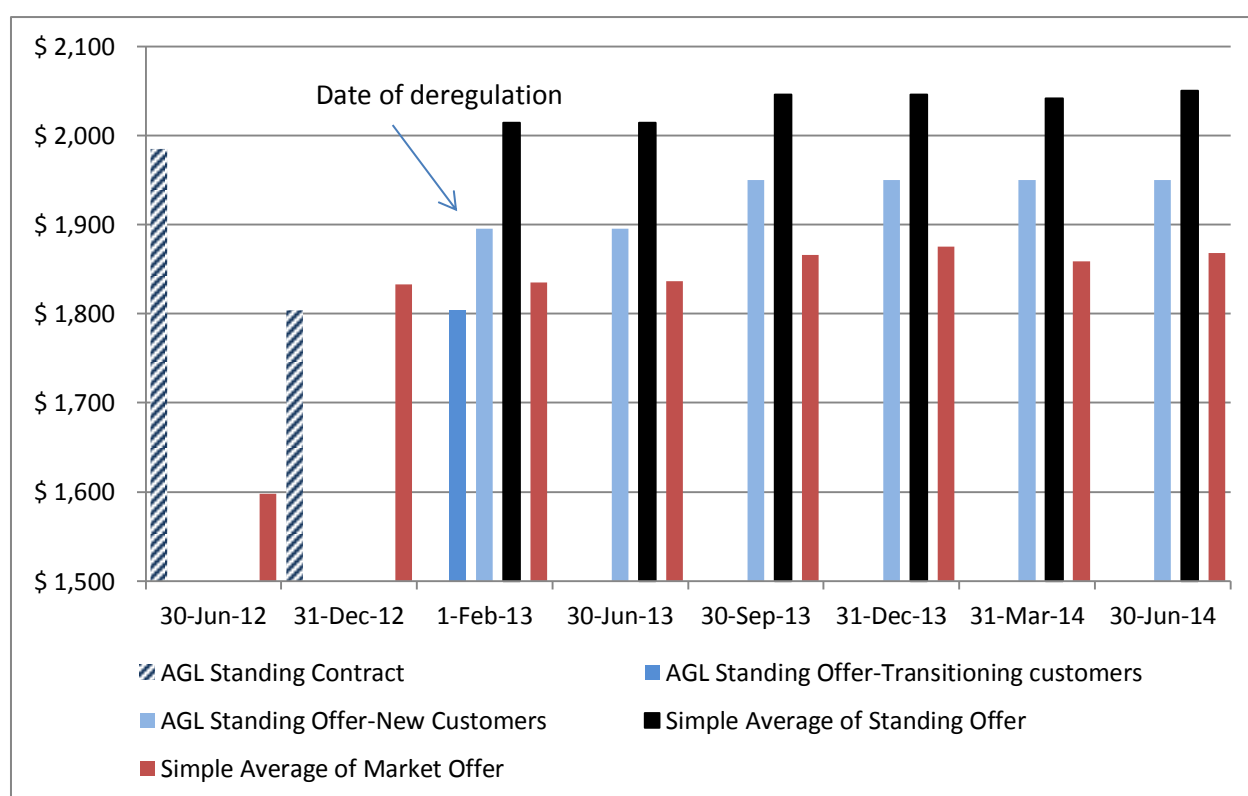
NB: Totals may not add due to rounding.

The simple average of the *lowest* Market Offer bills on 30 June 2014 was \$236 (11.5%) less than the simple average of Standing Offer bills at that time. In comparison, on 30 June 2013, the average of the lowest Market Offers produced annual bills \$256 (12.8%) less than the average of Standing Offers.

However, taking into account all Market Offers on 30 June 2014, the simple average of all Market Offer bills was \$1,868, which is \$182 (8.9%) less than the simple average of the Standing Offer bills. This is similar to the difference that applied at 30 June 2013, when the average of all Market Offers produced annual bills \$171 (8.5%) less than the average of the Standing Offer bills.

The movements of residential Standing and Market Offer bills since June 2012 are shown in Figure 2.2.

**Figure 2.2: Comparison of residential average annual electricity Standing and Market Offer bills with AGL Standing Offer bills**



NB: Prior to 1 Feb 2013, Standing Offers were referred to as Standing Contracts - these were regulated contracts and AGL was obliged to offer them. Upon deregulation, all retailers must now offer and publish their Standing Offers.

Following the deregulation of energy prices on 1 February 2013, and the reduction in AGL's Standing Contract/Standing Offer at that time, Standing Offers across all retailers have, in simple average terms, increased. However, AGL had committed to not increasing Standing Offers (subject to pass-through events), to those customers who entered into them during January/February 2013, for a period of two years. As this is now a closed offer, and closed offers are not published on the EME website, any future movements in annual bills cannot be observed.

### 3. SMALL BUSINESS ELECTRICITY

#### 3.1 Standing Offers

The Small Business Standing Offer average annual bills available in South Australia based on offers generally available at 30 June 2014, compared to those available at 30 June 2013, are set out in the table below.

**Table 3.1: Small business annual electricity Standing Offer bills**

RETAILER	30 JUNE 2013	30 JUNE 2014	\$ CHANGE FY 2013/14	% CHANGE FY 2013/14
AGL	\$ 3,584	\$ 3,673	+\$ 89	+ 2.5%
EnergyAustralia	-	\$ 4,122	-	-
Origin Energy	\$ 3,775	\$ 3,918	+\$ 143	+ 3.8%
Simply Energy	-	\$ 3,906	-	-
<b>Subtotal: Simple average (top 4 retailers)</b>	<b>\$ 3,680</b>	<b>\$ 3,905</b>	<b>+\$ 225</b>	<b>+ 6.1%</b>
Alinta Energy	\$ 3,810	\$ 3,864	+\$ 54	+ 1.4%
Diamond Energy	\$ 3,993	\$ 4,074	+\$ 81	+ 2.0%
ERM Power Retail Pty Ltd	-	\$ 3,798	-	-
Lumo Energy	\$ 3,810	\$ 3,505	-\$ 305	- 8.0%
M2 Energy (Commander)	-	\$ 4,040	-	-
Momentum Energy	\$ 3,864	\$ 3,841	-\$ 23	- 0.6%
Pacific Hydro	-	\$ 3,776	-	-
Powerdirect	\$ 3,909	\$ 4,006	+\$ 97	+ 2.5%
QEnergy	\$ 3,648	\$ 3,728	+\$ 80	+ 2.2%
Red Energy	\$ 3,937	\$ 3,882	-\$ 55	- 1.4%
<b>Subtotal: Simple average (small retailers)</b>	<b>\$ 3,853</b>	<b>\$ 3,851</b>	<b>-\$ 1</b>	<b>- 0.0%</b>
<b>Simple Average (all retailers)</b>	<b>\$ 3,814</b>	<b>\$ 3,867</b>	<b>+\$ 52</b>	<b>+ 1.4%</b>

NB: Totals may not add due to rounding.

ERM Power first published its tariffs for small business customers during the March 2014 quarter, and Pacific Hydro during the June 2014 quarter.



### *3.1.1 Overall outcomes*

The simple average of all annual small business Standing Offer electricity bills increased by 1.4% in the twelve months to 30 June 2014.

The increase can be largely attributed to the change in small business electricity network prices on 1 July 2013, which added 1.2% to the average bill.

### *3.1.2 Lowest and highest offers*

The retailer with the lowest Standing Offer bill at 30 June 2014 was Lumo Energy at \$3,505. Lumo reduced its Standing Offer bill by 8.0% from 30 June 2013, one of three retailers who reduced prices. Momentum and Red Energy reduced their prices by 0.6% and 1.4% respectively.

The retailer with the most expensive Standing Offer annual bill was EnergyAustralia at \$4,122.

### *3.1.3 Outcomes for the top four retailers*

Over the twelve months to 30 June 2014, the top four retailers' annual bills increased by 6.1%. In contrast, if the Standing Offer bills of the smaller retailers publishing offers in June 2013 are compared with the June 2014 Standing Offer bills from the same small retailers, the bills have remained almost unchanged, and are cheaper than the top four by \$54 (1.4%) at the end of the period.

### 3.2 Market Offers

Annual small business electricity Market Offer bills in South Australia at 30 June 2014 are set out in the table below.

**Table 3.2: Average small business annual electricity Market Offer bills**

RETAILER	30 JUNE 2013	30 JUNE 2014	\$ CHANGE FY 2013/14	% CHANGE FY 2013/14
AGL	\$ 3,256	\$ 3,463	+\$ 208	+ 6.4%
EnergyAustralia	\$ 3,737	\$ 3,770	+\$ 33	+ 0.9%
Origin Energy	\$ 3,625	\$ 3,638	+\$ 14	+ 0.4%
Simply Energy	\$ 3,743	\$ 3,664	-\$ 79	- 2.1%
<b>Subtotal: Simple average (top 4 retailers)</b>	<b>\$ 3,590</b>	<b>\$ 3,634</b>	<b>+\$ 44</b>	<b>+ 1.2%</b>
Diamond Energy	\$ 3,968	\$ 3,470	-\$ 498	- 12.5%
ERM Power Retail Pty Ltd	-	\$ 3,654	-	-
Lumo Energy	\$ 3,581	\$ 3,908	+\$ 327	+ 9.1%
M2 Energy (Commander)	-	\$ 3,289	-	-
Momentum Energy	\$ 3,321	\$ 3,481	+\$ 160	+ 4.8%
Pacific Hydro	-	\$ 3,285	-	-
Powerdirect	\$ 3,447	\$ 3,687	+\$ 240	+ 7.0%
QEnergy	\$ 3,337	\$ 3,259	-\$ 78	- 2.3%
Red Energy	\$ 3,616	\$ 3,629	+\$ 13	+ 0.4%
<b>Subtotal: Simple average (small retailers)</b>	<b>\$ 3,545</b>	<b>\$ 3,518</b>	<b>-\$ 27</b>	<b>- 0.8%</b>
<b>Simple Average (all retailers)</b>	<b>\$ 3,563</b>	<b>\$ 3,554</b>	<b>-\$ 9</b>	<b>- 0.3%</b>

NB: Totals may not add due to rounding.

A comparison of the minimum Market Offers available from each retailer at 30 June 2013 and 30 June 2014 follows in Table 3.3.

**Table 3.3: Minimum small business Market Offer bills**

RETAILER	30 JUNE 2013	30 JUNE 2014	\$ CHANGE FY 2013/14	% CHANGE FY 2013/14
AGL	\$ 3,117	\$ 3,278	+\$ 162	+ 5.2%
EnergyAustralia	\$ 3,737	\$ 3,509	-\$ 229	- 6.1%
Origin Energy	\$ 3,103	\$ 3,329	+\$ 226	+ 7.3%
Simply Energy	\$ 3,191	\$ 3,397	+\$ 206	+ 6.5%
<b>Subtotal: Simple average (top 4 retailers)</b>	<b>\$ 3,287</b>	<b>\$ 3,378</b>	<b>+\$ 91</b>	<b>+ 2.8%</b>
Diamond Energy	\$ 3,956	\$ 3,470	-\$ 486	- 12.3%
ERM Power Retail Pty Ltd	-	\$ 3,586	-	-
Lumo Energy	\$ 3,505	\$ 3,628	+\$ 123	+ 3.5%
M2 Energy (Commander)	-	\$ 3,289	-	-
Momentum Energy	\$ 3,081	\$ 3,380	+\$ 299	+ 9.7%
Pacific Hydro	-	\$ 3,285	-	-
Powerdirect	\$ 3,130	\$ 3,334	+\$ 204	+ 6.5%
QEnergy	\$ 3,170	\$ 3,173	+\$ 3	+ 0.1%
Red Energy	\$ 3,326	\$ 3,493	+\$ 167	+ 5.0%
<b>Subtotal: Simple average (small retailers)</b>	<b>\$ 3,361</b>	<b>\$ 3,404</b>	<b>+\$ 43</b>	<b>+ 1.3%</b>
<b>Simple Average (all retailers)</b>	<b>\$ 3,332</b>	<b>\$ 3,396</b>	<b>+\$ 65</b>	<b>+ 1.9%</b>

Table 3.3 shows that the top four retailers have increased their minimum bills more than the smaller retailers, similar to the pattern in the simple average of all offers (shown in Table 3.2).

### 3.2.1 Overall outcomes

During the 2013/14 financial year, the average small business electricity bill fell by 0.3% across all retailers. Bills from smaller retailers fell by 0.8% over the period, while they rose by 1.2% for the largest four retailers.

The average bill for Diamond Energy decreased by 12.5% (or \$498) between June 2013 and June 2014. However, four other retailers published offers which provided lower average bills than Diamond Energy's, including QEnergy at \$3,259 and AGL at \$3,463.

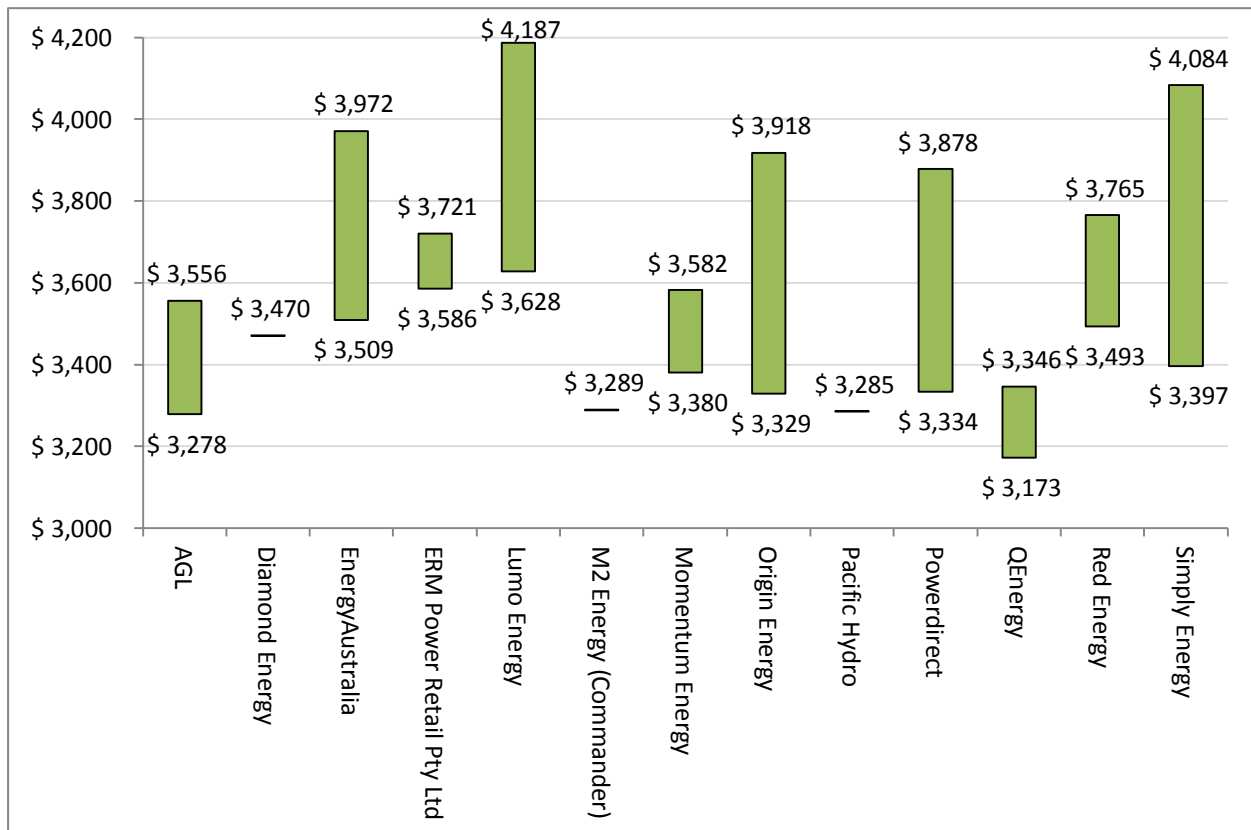
The 2013 Ministerial Pricing Report included time-of-use tariffs within the analysis of small business Market Offers. The Commission has changed its approach and now excludes time-of-use tariffs, as explained in Annexure D.1.8.

### 3.2.2 Lowest and highest offers

At 30 June 2014, the lowest annual Market Offer bill was from QEnergy at \$3,173, whilst the most expensive was from Lumo Energy at \$4,187; an overall spread of \$1,014.

There can be considerable variation in annual bills from the various Market Offers provided by each retailer, as shown in Figure 3.1.

**Figure 3.1: The range of small business electricity annual Market Offer bills by retailer at 30 June 2014**



Small businesses can pay dramatically varying prices depending upon the contract selected, reiterating the importance of selecting the best contract for their particular circumstances. The difference between a retailer's lowest and highest market offer bills can be up to \$589 or 17.7% in the case of Origin Energy.

### 3.2.3 Outcomes for the top four retailers

The simple average Market Offer bill of the top four retailers increased by 1.2% over the 12 month period compared to a reduction of 0.8% for the smaller retailers (see Table 3.2).

Falls in average bills from the minor retailers, Diamond Energy and QEnergy, and the entry of M2 Energy (Commander), contributed to the average Market Offer bill reduction for the smaller retailers.

The largest retailer, AGL, increased its prices, which resulted in an increase in its average annual Market Offer bill of 6.4% from 30 June 2013 to 30 June 2014. Meanwhile, the change in average

annual bills from EnergyAustralia and Origin Energy showed a much more moderate increase over the corresponding period, of 0.9% and 0.4% respectively. In contrast, an average annual bill from Simply Energy fell by 2.1%; the only one of the top four retailers to record a reduction in average annual bills.<sup>15</sup>

Among the minor retailers, there were substantial reductions in average annual bills by Diamond Energy. In contrast, increases occurred for Momentum Energy and Powerdirect but overall, average small business bills fell by 0.8% over the FY 2013/14 and were \$116 (3.2%) lower than the top 4 at 30 June 2014.

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<sup>15</sup> After correcting for the unavailability of ERM Power, M2 Energy and Pacific Hydro's offers, the average increase in annual bills for all the remaining retailers is 0.8% for the September quarter, 1.0% for the December quarter, 0.2% in the March quarter and 0.8% in the June 2014 quarter, resulting in an increase of 2.8% overall.

### 3.3 Comparison between Standing and Market Offers

A comparison of small business annual electricity Standing Offer and lowest Market Offer bills by retailer at 30 June 2014 is provided in Table 3.4 below.

**Table 3.4: Small business annual electricity Standing Offer and lowest Market Offer bills by retailer at 30 June 2014**

RETAILER	STANDING OFFER	LOWEST MARKET OFFER	DIFFERENCE \$	DIFFERENCE %
AGL	\$ 3,673	\$ 3,278	-\$ 395	- 10.7%
Alinta Energy	\$ 3,864	-	-	-
Diamond Energy	\$ 4,074	\$ 3,470	-\$ 604	- 14.8%
EnergyAustralia	\$ 4,122	\$ 3,509	-\$ 613	- 14.9%
ERM Power Retail Pty Ltd	\$ 3,798	\$ 3,586	-\$ 212	- 5.6%
Lumo Energy	\$ 3,505	\$ 3,628	+\$ 123	+ 3.5%
M2 Energy (Commander)	\$ 4,040	\$ 3,289	-\$ 751	- 18.6%
Momentum Energy	\$ 3,841	\$ 3,380	-\$ 461	- 12.0%
Origin Energy	\$ 3,918	\$ 3,329	-\$ 589	- 15.0%
Pacific Hydro	\$ 3,776	\$ 3,285	-\$ 492	- 13.0%
Powerdirect	\$ 4,006	\$ 3,334	-\$ 672	- 16.8%
QEnergy	\$ 3,728	\$ 3,173	-\$ 555	- 14.9%
Red Energy	\$ 3,882	\$ 3,493	-\$ 388	- 10.0%
Simply Energy	*	\$ 3,397	-	-
<b>Simple Average</b>	<b>\$ 3,867</b>	<b>\$ 3,396</b>	<b>-\$ 471</b>	<b>- 12.2%</b>

NB: Totals may not add due to rounding.

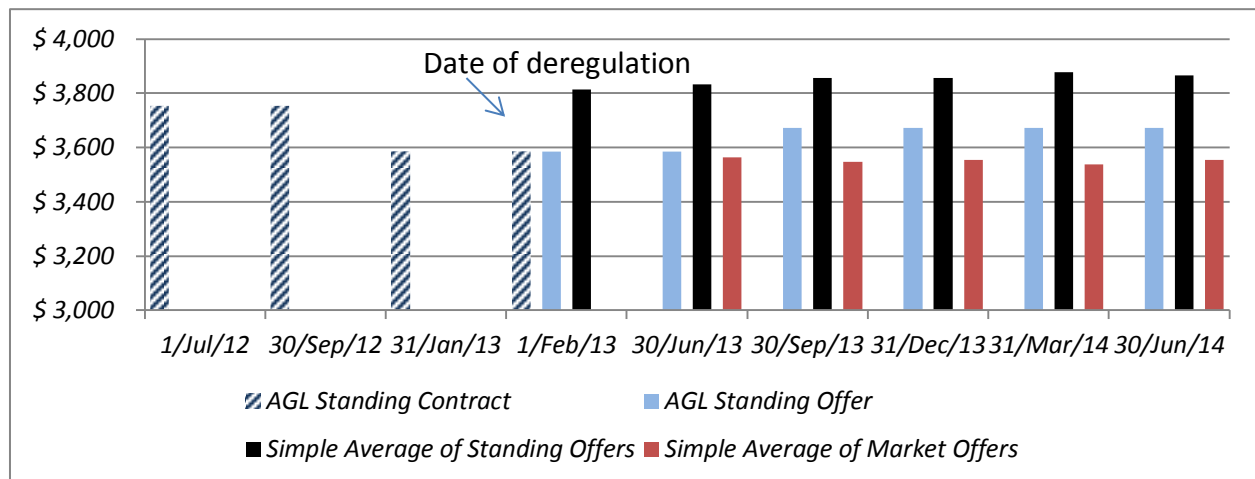
\* Simply Energy did have a Standing Offer published on the *Energy Made Easy* website on 30 June 2013

A comparison of retailers' cheapest Market Offer bills with their own Standing Offers shows an average saving of \$470 or 12.2% (but as high as \$751 or 18.6%) can be achieved.

In comparison, on 30 June 2013, the average of the lowest Market Offers produced annual bills that were \$485, or 12.7% lower than the average of Standing Offers.

The movements of small business Standing and Market Offer bills since June 2012 are illustrated in Figure 3.2.

**Figure 3.2: Change in average annual small business Standing and Market Offer bills**



After the initial fall in Standing Offer prices prompted by deregulation in February 2013, the AGL Standing Offer bills increased in the September quarter, coinciding with the increase in network charges. Other Standing Offers also increased at that time, along with Standing Offers from other retailers though Market Offers, in contrast, fell slightly. Due to the removal of time-of-use tariffs from the Market Offer analysis for this report, and retrospectively for the first three quarters of the 2013/14 financial year, the above figure only shows Market Offers from June 2013 onwards.

## 4. RESIDENTIAL GAS

### 4.1 Standing Offers

There are five distinct gas supply areas in South Australia, with different prices applying in each area. While all retailers are required to have Standing Offers available in each region, it has historically been the case that only Origin Energy actively marketed to regions outside of Adelaide.

Residential Standing Offer Gas bills for the Adelaide region<sup>16</sup> are presented in Table 4.1 below.

**Table 4.1: Residential annual gas Standing Offer bills (Adelaide) by retailer**

RETAILER	30 JUNE 2013	30 JUNE 2014	\$ CHANGE FY 2013/14	% CHANGE FY 2013/14
AGL	\$ 910	\$ 1,030	+\$ 120	+ 13.2%
Alinta Energy	\$ 909	\$ 1,073	+\$ 164	+ 18.0%
EnergyAustralia	\$ 948	\$ 1,134	+\$ 186	+ 19.7%
Origin Energy	\$ 893	\$ 1,013	+\$ 119	+ 13.4%
Simply Energy	\$ 909	\$ 1,059	+\$ 150	+ 16.5%
<b>Simple Average</b>	<b>\$ 914</b>	<b>\$ 1,062</b>	<b>+\$ 148</b>	<b>+ 16.2%</b>

NB: Totals may not add due to rounding.

#### 4.1.1 Overall outcomes

Standing Offer bills increased significantly during 2013/14, resulting in simple average bills increasing by 16.2%, from \$914 to \$1,062. This, in part, reflects the increase in gas distribution charges on 1 July 2013, adding around 8% to the residential Standing Offer bill.

There is also evidence of increased wholesale gas prices, which may be impacting on gas retail prices. For example, the New South Wales energy regulator, IPART, recently commissioned a consultant report on the gas market. This report found that materially increased demand for wholesale gas on the east coast has not been met with increased supply, and this has put pressure on available reserves and production.<sup>17</sup> Given the interconnected nature of NSW and SA wholesale gas supply (the Cooper basin is connected to both), this upward pricing pressure, is likely to have flowed through to SA.

Origin Energy is the dominant gas retailer in South Australia, and its annual Standing Offer bill rose by 13.4% to \$1,013 over the September 2013 quarter, where it remained at 30 June 2014.

<sup>16</sup> The Adelaide gas region also includes the Barossa and Peterborough regions.

<sup>17</sup> See MDQ Consulting, *NSW Wholesale Gas Market Report, Final Report – Public Version*, February 2014, available at: <http://www.ipart.nsw.gov.au/Home/Publications?industry=Gas>.



The NERL prohibits Standing Offers changing more frequently than every six months. Accordingly, there was no change to any of the retailers' estimated annual bills during the December or March quarters, given that all Standing Offer tariffs changed in the September quarter.

#### 4.1.2 Lowest and highest offers

The retailer with the cheapest Standing Offer annual bill, at both the beginning and end of the 2013/14 financial year was Origin, followed by AGL. These two retailers' Standing Offer bills also reflected the lowest increase during the year at 13.4% and 13.2% respectively. The retailer with the most expensive Standing Offer annual bill at 30 June 2014 was EnergyAustralia at \$1,134.

#### 4.1.3 Regional Standing Offers

The movement of Standing Offers in the Adelaide region for the year to 30 June 2014 has been mirrored in the regional gas Standing Offers, which is shown below in Table 4.2:.

**Table 4.2: Regional average residential annual Standing Offer bills by retailer<sup>18</sup>**

RETAILER (REGION)	STANDING OFFER RESIDENTIAL BILL AS AT 30 JUNE 2013	STANDING OFFER RESIDENTIAL BILL AS AT 30 JUNE 2014	\$ CHANGE	% CHANGE
<b>Mt Gambier</b>				
AGL	\$922	\$1,043	\$121	+ 13.1%
Origin Energy	\$904	\$1,024	\$120	+ 13.3%
Energy Australia	\$948	\$1,134	\$186	+ 19.6%
Simply Energy	\$909	\$1,059	\$150	+ 16.5%
<i>Average Mt. Gambier</i>	<i>\$921</i>	<i>\$1,065</i>	<i>\$144</i>	<i>+ 15.7%</i>
<b>Port Pirie</b>				
AGL	\$921	\$1,042	\$121	+ 13.1%
Origin Energy	\$903	\$1,023	\$120	+ 13.3%
Energy Australia	\$948	\$1,134	\$186	+ 19.6%
Simply Energy	\$909	\$1,059	\$150	+ 16.5%
<i>Average Port Pirie</i>	<i>\$920</i>	<i>\$1,065</i>	<i>\$144</i>	<i>+ 15.7%</i>

<sup>18</sup> While EnergyAustralia and Simply Energy had a Standing Offer available for all regions in June 2013, neither offered gas Standing Offers to new customers outside of the Adelaide Barossa Peterborough distribution area in June 2014.

RETAILER (REGION)	STANDING OFFER RESIDENTIAL BILL AS AT 30 JUNE 2013	STANDING OFFER RESIDENTIAL BILL AS AT 30 JUNE 2014	\$ CHANGE	% CHANGE
<b>Riverland</b>				
AGL	\$927	\$1,050	\$123	+ 13.3%
Origin Energy	\$909	\$1,030	\$121	+ 13.3%
Energy Australia	\$948	\$1,134	\$186	+ 19.6%
Simply Energy	\$909	\$1,059	\$150	+ 16.5%
<i>Average Riverland</i>	<i>\$923</i>	<i>\$1,068</i>	<i>\$145</i>	<i>+ 15.7%</i>
<b>Whyalla</b>				
AGL	\$921	\$1,043	\$122	+ 13.2%
Origin Energy	\$904	\$1,024	\$120	+ 13.3%
Energy Australia	\$948	\$1,134	\$186	+ 19.6%
Simply Energy	\$909	\$1,059	\$150	+ 16.5%
<i>Average Whyalla</i>	<i>\$921</i>	<i>\$1,065</i>	<i>\$145</i>	<i>+ 15.7%</i>
<b>Simple Average</b>	<b>\$921</b>	<b>\$ 1,066</b>	<b>\$ 145</b>	<b>+ 15.7%</b>

NB: Totals may not add due to rounding.

## 4.2 Market Offers

Average annual residential gas Market Offer bills in the Adelaide Region at 30 June 2013 and 30 June 2014 are set out in the table below.

**Table 4.3: Average residential annual Market Offer bills (Adelaide region) by retailer**

RETAILER	30-JUN-13	30-JUN-14	\$ CHANGE FY 2013/14	% CHANGE FY 2013/14
AGL	\$ 860	\$ 972	+\$ 112	+ 13.0%
EnergyAustralia	\$ 910	\$ 1,080	+\$ 170	+ 18.7%
Origin Energy	\$ 884	\$ 971	+\$ 87	+ 9.8%
<b>Simple Average</b>	<b>\$ 885</b>	<b>\$ 1,007</b>	<b>+\$ 123</b>	<b>+ 13.9%</b>

NB: Totals may not add due to rounding.

A comparison of the minimum annual Market Offer bills shows a similar pattern over the year to 30 June 2014 as outlined in Table 4.4.

**Table 4.4: Minimum residential annual Market Offer gas bills (Adelaide region) by retailer**

RETAILER	30-JUN-13	30-JUN-14	\$ CHANGE FY 2013/14	% CHANGE FY 2013/14
AGL	\$ 845	\$ 954	+\$ 109	+ 12.9%
EnergyAustralia	\$ 860	\$ 1,028	+\$ 168	+ 19.6%
Origin Energy	\$ 838	\$ 939	+\$ 101	+ 12.0%
<b>Simple Average</b>	<b>\$ 847</b>	<b>\$ 973</b>	<b>+\$ 126</b>	<b>+ 14.9%</b>

NB: Totals may not add due to rounding.

#### 4.2.1 Overall outcomes

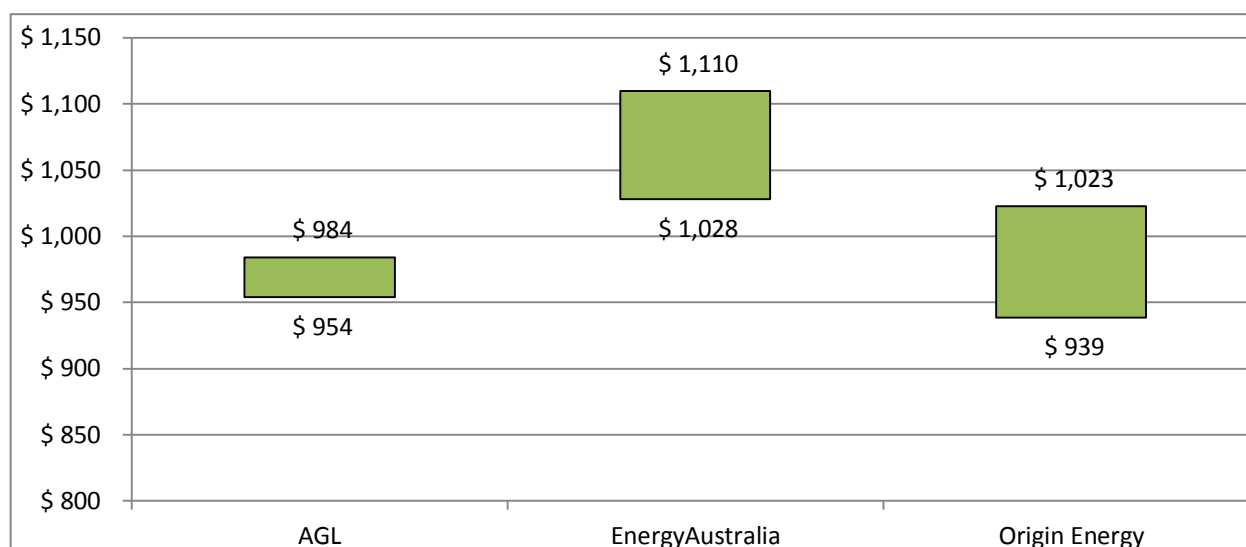
Twelve residential market gas offers from three retailers were published at 30 June 2014. During the September Quarter, the simple average of all residential Market Offer annual bills increased by 13.2% (or \$116) to \$1,001. In the following three quarters the bills changed very little, at 0.3%, 0.1% and 0.2% leading to an overall rise for the 2013/14 financial year of 13.9% to \$1,007 (Table 4.3).

The increase in the simple average Market Offer bills is likely to be partly explained by the 8% increase attributed to gas distribution charges. Rising wholesale gas prices may have also impacted Market Offer prices as explained in section 4.1.1.

#### 4.2.2 Lowest and highest offers

The retailer with the lowest average Market Offer annual bill, at the end of the period, was Origin at \$939, just below AGL at \$954, whilst the most expensive was Energy Australia at \$1,110 as shown in Figure 4.1 below. Minimum Market Offer bills, averaged across the three retailers, rose 14.9% (\$126) from \$847 to \$973 over the 2013/14 financial year, as shown in Table 4.4.

**Figure 4.1: Residential gas Market Offer bills by retailer at 30 June 2014 (Adelaide region)**



### 4.3 Comparison between Standing and Market Offers

Customers who are on a Standing Offer will save by moving onto a retailer's lowest Market Offer, where available, (as not all retailers have a Market Offer). The difference between the average of the *lowest* Market Offers and the average of Standing Offers is \$88 (8.3%) as shown below.

**Table 4.5: Difference between Standing and lowest Market Offers in June 2014 (Adelaide region)**

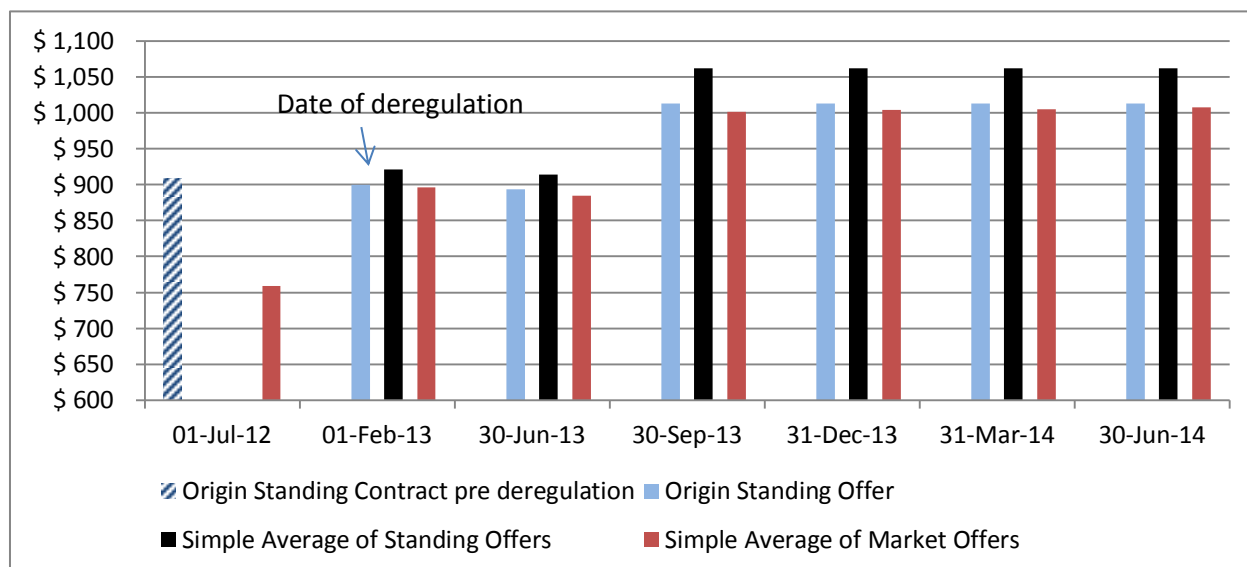
RETAILER	STANDING OFFER	LOWEST MARKET OFFER	DIFFERENCE \$	DIFFERENCE %
AGL	\$ 1,030	\$ 954	-\$ 76	- 7.4%
Alinta Energy	\$ 1,073	-	-	-
EnergyAustralia	\$ 1,134	\$ 1,028	-\$ 106	- 9.4%
Origin Energy	\$ 1,013	\$ 939	-\$ 74	- 7.3%
Simply Energy	\$ 1,059	-	-	-
<b>Simple Average</b>	<b>\$ 1,062</b>	<b>\$ 973</b>	<b>-\$ 88</b>	<b>- 8.3%</b>

NB: Totals may not add due to rounding.

In comparison, on 30 June 2013, the average of *lowest* Market Offers produced annual bills \$66 (7.3%) lower than the average of the Standing Offer bills.

The movement of average annual Standing and Market Offer bills since July 2012 is shown in Figure 4.2 below.

**Figure 4.2: Change in Residential gas Market and Standing Offer bills since 30 June 2013 (Adelaide region)**



## 5. SMALL BUSINESS GAS

### 5.1 Standing Offers

Four retailers are active in the Adelaide region, selling to small businesses.

Small business Standing Offer annual gas bills for June 2013 and June 2014 are presented in Table 5.1 below.

**Table 5.1: Small business annual gas Standing Offer bills (Adelaide region)**

RETAILER	30-JUNE-2013	30-JUNE-2014	\$ CHANGE FY 2013/14	% CHANGE FY 2013/14
AGL	\$ 4,747	\$ 5,332	+\$ 585	+ 12.3%
EnergyAustralia	-	\$ 5,954	-	-
Origin Energy	\$ 4,657	\$ 5,191	+\$ 534	+ 11.5%
Simply Energy	-	\$ 5,298	-	-
<b>Simple Average</b>	<b>\$ 4,702</b>	<b>\$ 5,444</b>	<b>+\$ 742</b>	<b>+ 15.8%</b>

NB: Totals may not add due to rounding.

#### 5.1.1 Overall outcomes

Compared with 30 June 2013, the average Standing Offer annual bill increased by 15.8% (or \$742) in the September quarter. Origin and AGL customers saw bill increases of 11.5% and 12.3% respectively, as shown in the table above.

There was no change in any of the Standing Offers between 30 September 2013 and 30 June 2014, (which is longer than the required NERL 6 month restriction on changing Standing Offers).

As previously noted, gas distribution charges increased on 1 July 2013, adding around 8% to a Standing Offer bill. Rising wholesale gas prices may have also contributed to the Bill increase.

#### 5.1.2 Lowest and highest offers

Origin Energy, the largest gas retailer in South Australia, offered the cheapest Standing Offer annual bill, of \$5,191, at 30 June 2014. The highest was the Energy Australia Standing Offer Bill of \$5,954, which was well above the simple average of Standing Offer Bills of \$5,444.

### 5.2 Market Offers

Three gas retailers published nine small business gas market offers at 30 June 2014, compared with eleven offers at 30 June 2013. The larger gas retailers showed the bigger bill increases, with Origin and AGL's average Market Offer bills increasing by 10.0% and 17.4% respectively, but with Energy Australia still producing the highest average bill, as shown in Table 5.2.

**Table 5.2: Small business average annual gas Market Offer bills (Adelaide region)**

RETAILER	30 JUNE 2013	30 JUNE 2014	\$ CHANGE FY 2013/14	% CHANGE FY 2013/14
AGL	\$ 4,375	\$ 5,136	+\$ 761	+ 17.4%
EnergyAustralia	\$ 5,003	\$ 5,501	+\$ 498	+ 9.9%
Origin Energy	\$ 4,666	\$ 5,131	+\$ 465	+ 10.0%
<b>Simple Average</b>	<b>\$ 4,681</b>	<b>\$ 5,256</b>	<b>+\$ 575</b>	<b>+ 12.3%</b>

NB: Totals may not add due to rounding.

Minimum Market Offers for small business customers also increased substantially through the 2013/14 financial year, up 15.1% when averaged across the three participating retailers. The largest increase was from AGL at 20.2% to leave Origin with the cheapest Market Offer, as shown in Table 5.3.

**Table 5.3: Minimum Market Offers for small business gas customers (Adelaide region)**

RETAILER	30 JUNE 2013	30 JUNE 2014	\$ CHANGE FY 2013/14	% CHANGE FY 2013/14
AGL	\$ 4,232	\$ 5,088	+\$ 856	+ 20.2%
EnergyAustralia	\$ 4,840	\$ 5,253	+\$ 414	+ 8.5%
Origin Energy	\$ 4,275	\$ 5,019	+\$ 744	+ 17.4%
<b>Simple Average</b>	<b>\$ 4,449</b>	<b>\$ 5,120</b>	<b>+\$ 671</b>	<b>+ 15.1%</b>

NB: Totals may not add due to rounding.

### 5.2.1 Overall outcomes

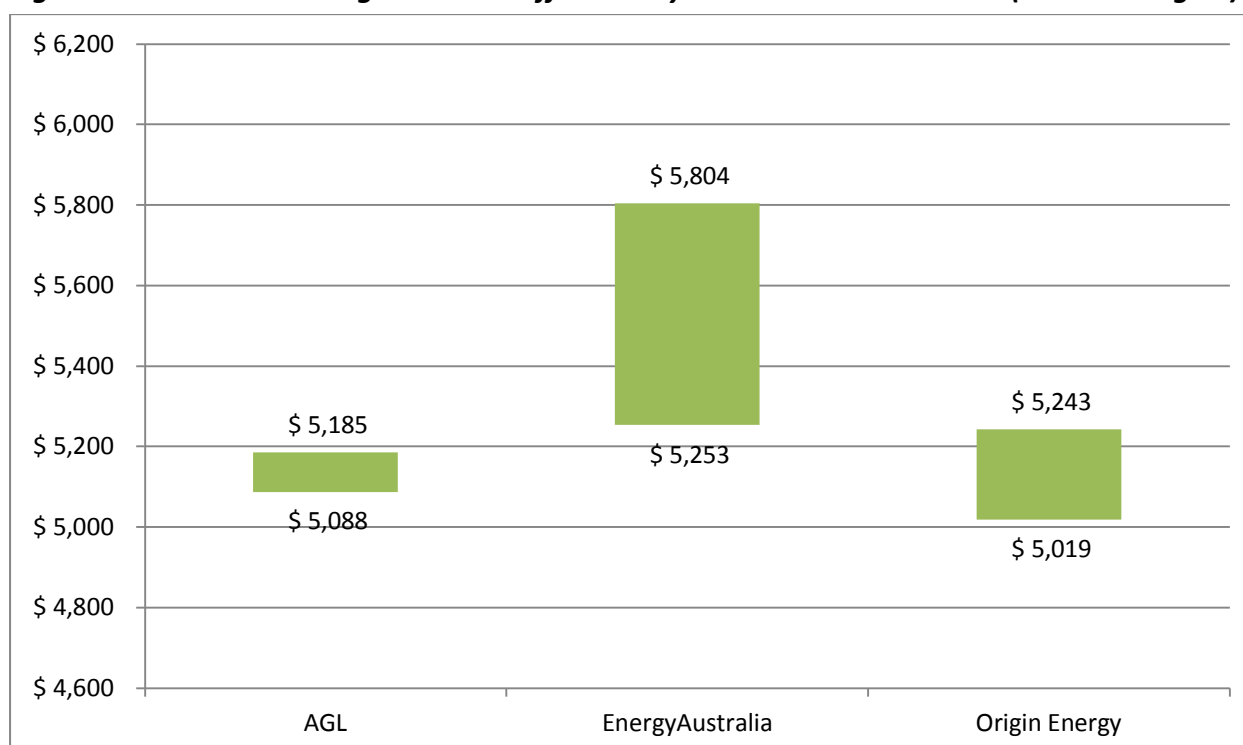
Small business Market Offer bills increased significantly between 30 June and 30 September 2013, where the simple average annual gas Market Offer bill increased by 11.4% (\$536) to \$5,217.

The December and March quarters both recorded an increase of 0.4% in average Market Offer bills and, with no increase in the June 2014 quarter, this resulted in an annual increase of 12.3% (\$575) to \$5,256, as shown in Table 5.2 above.

### 5.2.2 Lowest and highest offers

The retailer with the cheapest gas small business Market Offer annual bill, at the end of the 2013/14 financial year, was Origin Energy, at \$5,019, whilst the most expensive was EnergyAustralia at \$5,804, a spread of \$785, as shown in Figure 5.1 below.

**Figure 5.1: Small business gas Market Offer bills by retailer at 30 June 2014 (Adelaide region)**



### 5.3 Comparison between Standing and Market Offers

The difference between Standing and Market Offers is shown in the following table. Customers moving from a Standing to a retailer's lowest Market Offer on 30 June 2014 would have saved, on average, \$324 (5.9%).

**Table 5.4: Comparison of Standing and lowest Market Offers on 30 June 2014 (Adelaide region)**

RETAILER	STANDING OFFER	LOWEST MARKET OFFER	DIFFERENCE \$	DIFFERENCE %
AGL	\$ 5,332	\$ 5,088	-\$ 244	- 4.6%
EnergyAustralia	\$ 5,954	\$ 5,253	-\$ 701	- 11.8%
Origin Energy	\$ 5,191	\$ 5,019	-\$ 172	- 3.3%
Simply Energy	\$ 5,298	-	-	-
<b>Simple Average</b>	<b>\$ 5,444</b>	<b>\$ 5,120</b>	<b>-\$ 324</b>	<b>- 5.9%</b>

NB: Totals may not add due to rounding.

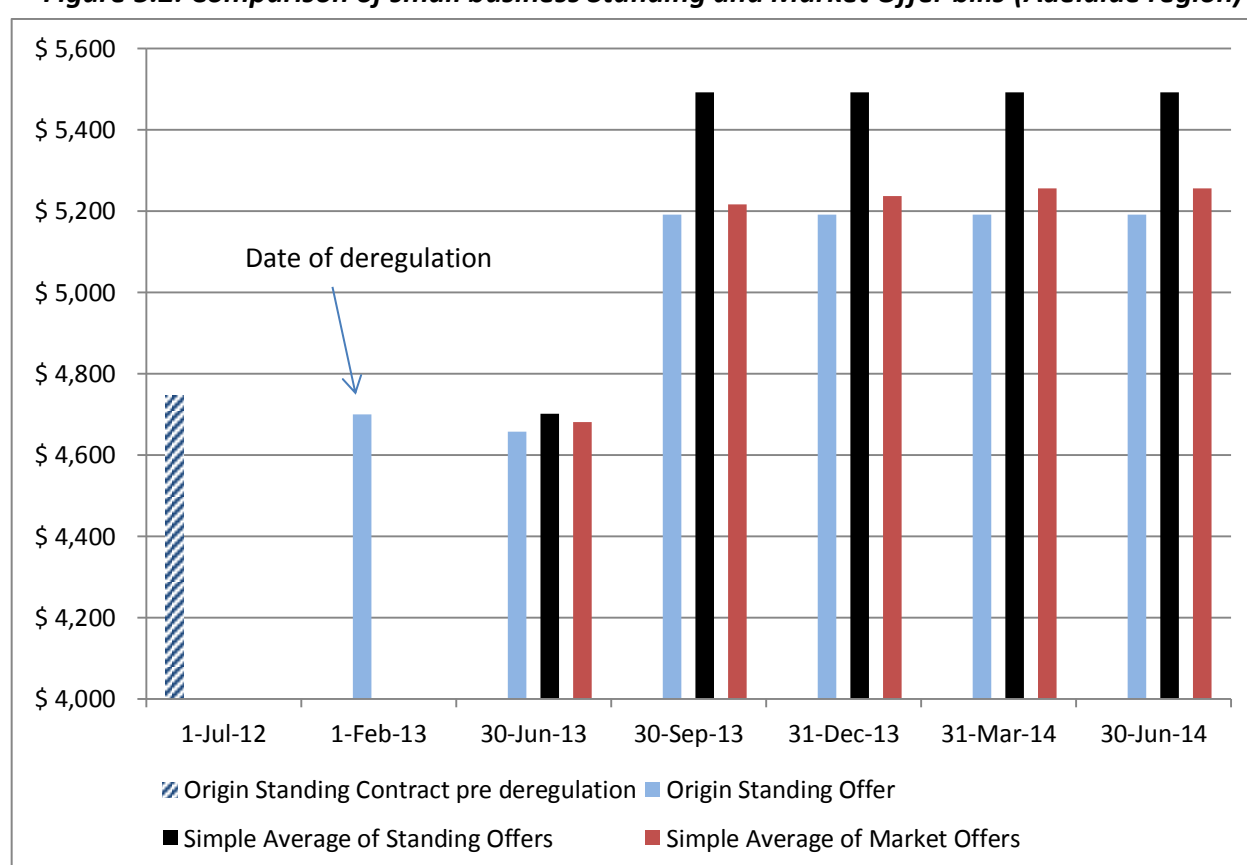


Taking into account all Market Offers available on 30 June 2014, the simple *average* of *all* Market Offer bills was \$236 (4.3%) lower than the simple average of the Standing Offer bills. In comparison, on 30 June 2013, the average of all Market Offers produced annual bills \$20 (0.4%) lower than the average of the Standing Offer bills, although this figure is influenced by the lack of an Energy Australia Standing Offer for June 2013.

Gas price rises have been substantial in 2013/14, with average Market Offer bills going up by 12.3% over the financial year. The relative movement of small business gas offers since July 2012 is shown in Figure 5.2 below.

It is important to note that no information is available for small business gas Standing Offers other than for Origin Energy prior to 30 June 2013.

**Figure 5.2: Comparison of small business Standing and Market Offer bills (Adelaide region)**



## 6. CONCLUSION

A summary of the overall changes that occurred during the twelve months between 30 June 2013 and 30 June 2014 in the retail electricity and gas markets is set out in Table 6.1 below.

**Table 6.1: Changes in Standing Offer and Market Offer bills between 30 June 2013 and 30 June 2014**

CUSTOMER SEGMENT	CHANGE IN AVERAGE ANNUAL STANDING OFFER BILL OVER FY 2013/14		CHANGE IN AVERAGE ANNUAL MARKET OFFER BILL OVER FY 2013/14	
	\$ var	% var	\$ var	% var
<b>Electricity</b>				
Residential	+\$ 43	+ 2.2%	+\$ 31	+ 1.7%
Small Business	+\$ 52	+ 1.4%	-\$ 9	- 0.3%
<b>Gas</b>				
Residential	+\$ 148	+ 16.2%	+\$ 123	+ 13.9%
Small Business	+\$ 559	+ 15.8%	+\$ 575	+ 12.3%

Gas prices have risen substantially across the board between 30 June 2013 to 30 June 2014. In contrast, the increase in electricity prices has been much more subdued, and is below the rate of inflation<sup>19</sup> of 3.1% for the same period. Most of the price increases were in the 30 June 2013 to 30 September 2013 quarter, with little change from 30 September 2013 to 30 June 2014.

The contrast between Standing and Market Offers at the beginning and end of 2013/14 financial year is summarised in Table 6.2 below.

<sup>19</sup> ABS Consumer Price Index, June quarter 2014, publication 6401.0, page 9, available at: [http://www.ausstats.abs.gov.au/ausstats/meisubs.nsf/0/3099F3DDB5C5486ECA257D1D0014281A/\\$File/64010\\_in%202014.pdf](http://www.ausstats.abs.gov.au/ausstats/meisubs.nsf/0/3099F3DDB5C5486ECA257D1D0014281A/$File/64010_in%202014.pdf).

**Table 6.2: Differences between Standing and Market Offer bills  
on 30 June 2013 and 30 June 2014**

CUSTOMER SEGMENT	DIFFERENCE BETWEEN AVERAGE STANDING OFFER BILLS AND MARKET OFFER BILLS 30 JUNE 2013		DIFFERENCE BETWEEN AVERAGE STANDING OFFER BILLS AND MARKET OFFER BILLS 30 JUNE 2014	
	\$ var	% var	\$ var	% var
<b>Electricity</b>				
Residential	-\$ 171	- 8.5%	-\$ 183	- 8.9%
Small Business	-\$ 251	- 6.6%	-\$ 313	- 8.1%
<b>Gas</b>				
Residential	-\$ 29	- 3.2%	-\$ 55	- 5.1%
Small Business	-\$ 20	- 0.4%	-\$ 188	- 3.4%

Market Offers for both electricity and gas can be at a substantial discount to the Standing Offer. Aside from the variation between Standing and Market Offers, there can be considerable variation in Market Offers across retailers as well as for each retailer. Furthermore, Market Offers change frequently, reinforcing the potential value for customers of shopping around for the best energy deal.

# 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*.

## ANNEXURE B ASSUMPTIONS AND LIMITATIONS

### *B.1 Data sources*

Electricity and gas pricing data have been sourced from the database that sits behind the AER's *Energy Made Easy* (EME) online price comparison service<sup>20</sup>, and supplemented or confirmed with information from retailers; either directly or from retailers' web sites and price fact sheets.

All "open" and "available" Standing Offer and Market Offer data were downloaded from the EME website (or as otherwise advised) on, or as near as possible to, the last business day of each quarter.

As this analysis takes a snapshot of the market at a particular time, it must be recognised that market conditions are dynamic. Therefore, the conclusions drawn in this Report only apply to the market on 30 June 2014. Current offers are available on the AER's *Energy Made Easy* website.

### *B.2 Energy product analysis methodology*

In this Report, annual bill estimates were determined from the individual tariff information schedules contained in each retailer's offers, based on the energy consumption profiles assumed below.

Annual bill estimates reflecting individual offers for electricity and gas each are analysed separately.

#### *B.2.1 Timing of analysis*

This Report has adopted a 'point in time' approach to the analysis of energy prices; where comparisons are made between time periods. In effect, only those offers available on a particular date (that is, the last day of the period under review) are included in the analysis, as opposed to including all offers which might have been available throughout the period of review. Accordingly, there may be slight differences in the June 2013 reported results between this Report and the 2013 Ministerial Pricing Report. In addition, subsequent analysis of June 2013 offers has incorporated minor changes in methodology, particularly relating to discounts which resulted in small changes in some bills. Notwithstanding, the overall impacts reported in the 2013 Ministerial Pricing Report remain valid.

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<sup>20</sup> The AER's energy price comparison service can be accessed at: [www.energymadeeasy.gov.au](http://www.energymadeeasy.gov.au).

### *B.2.2 Contract timing assumptions*

For the purposes of calculating annual bills, it is assumed that a customer enters into a contract based upon the terms, conditions and prices that applied on the final business day of the quarter, and will take advantage of all discounts and cash incentives available at that time.

All prices and values are quoted in nominal terms.

### *B.2.3 Single-rate and two-rate offers*

Electricity offers may include either single-rate or two-rate<sup>21</sup> contract offerings. However, there is no effective difference between the two offerings as the analysis focuses only on peak rates which are priced at the same rate for single and two rate offers. As the analysis does not include off peak consumption, both would deliver the same annual bill.

Since 2008, there have been restrictions on the installation or replacement of electric storage water heaters that utilise Off Peak Controlled Load tariffs, which are at a discount to peak rates. Only a declining minority of customers now have electric storage water heaters. The off peak controlled load (OPCL) rates are analysed in Annexure E

### *B.2.4 Average values*

All averages quoted in this report are simple (unweighted) averages. Note that the results are not weighted by the number of offers a retailer presents nor, in fact, in any other way.

Where relevant, the simple (or unweighted) overall average is determined using the following two-step process:

1. calculate the simple average of each individual retailer's portfolio of relevant offers, and
2. calculate the simple average of all the individual retailers' averaged results (that is, the results from step 1).

## *B.3 Annual bills are GST-inclusive*

All prices, tariffs and calculated annual bills in this Report are quoted inclusive of GST (unless otherwise specified).

## *B.4 Electricity consumption profiles*

The annual consumption assumed for **electricity** customers is:

- ▲ for residential customers: **5,000 kWh**
- ▲ for small business customers: **10,000 kWh**.

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<sup>21</sup> "Two-rate" offers include daily tariffs that reflect both normal "peak" consumption tariffs as well as "off-peak" consumption tariffs known as off-peak controlled load.

The above annual consumption estimates (and consumption profiles below) are generally consistent with the average historic consumption of electricity by small customers in South Australia. These estimates, however, are based on small customers' consumption behaviour that was evident prior to the considerable growth of solar roof-top PV generation in recent years, the continuing penetration of energy efficient appliances, changing customer behaviour and lower demand resulting from the slower economic growth. This has resulted in an overall fall in demand since these historic averages were originally determined.

The following consumption profile assumptions were used to calculate equivalent annual energy bills.

**Table B.1: Assumed electricity consumption profiles**

ELECTRICITY	TOTAL	SUMMER	AUTUMN	WINTER	SPRING
Electricity Consumption Profile	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

For further information see Annexure D.

## B.5 Gas consumption profiles

The annual consumption assumed for **gas** customers is:

- ▲ for residential customers: **21,000 MJ**
- ▲ for small business customers: **190,000 MJ**.

The following consumption profile assumptions were used to calculate equivalent annual energy bills.

**Table B.2: Assumed gas consumption profiles**

GAS	TOTAL	SUMMER	AUTUMN	WINTER	SPRING
Gas Consumption Profile	100%	21%	23%	32%	24%
Residential avg. consumption (MJ)	21 000	4 410	4 830	6 720	5 040
Small business avg. consumption (MJ) <sup>22</sup>	190 000	47 500	47 500	47 500	47 500

The annual average consumption figures stated above are based on historic averages for South Australia, and are consistent with the average consumption figures used in the 2013 Ministerial Pricing Report. The Commission has retained these consumption profiles to provide consistency of reporting annual bills over time.

The consumption profiles above are different to those used by the AER on its *Energy Made Easy* website. Further detail is provided in Annexure D.

<sup>22</sup> As there are no seasonal gas tariffs, this leads to the simplifying assumption that small business gas consumption does not vary by season.



## *B.6 Number of days in the period*

For this analysis, as in previous reports, the simplifying assumption of a 365 day year and equal quarters (of 91.25 days) is used.

## *B.7 Dual fuel offers*

Offers that combine both electricity and gas products (referred to as “dual fuel” offers) are not included in the analysis, as it is not possible to attribute discounts and incentives separately to one product; that is, to either a gas or electricity product.

## *B.8 Small business time-of-use tariffs*

In the 2013 Ministerial Pricing Report, annual bill estimates for small business electricity Market Offers that are based on time-of-use tariffs were assumed to reflect consumption at the peak rates; that is, the rates, or tariffs, applicable for consumption, Monday to Friday, 7am to 9pm. It was assumed that those small businesses did not consume electricity outside “peak” hours. However, the Commission considers that time-of-use tariffs are not likely to be utilised by businesses operating only during peak hours and therefore, the bills from these offers will not be representative of those for most small businesses. Accordingly, the time of use offers have been removed from the analysis for this Report. As the time-of-use bills were higher than average, the effect is that the average small business bills for June 2013 in this Report are lower than those published in the 2013 Ministerial Pricing Report. The conclusions drawn for the 2013 report, however, remain valid as the methodology was consistently used for all prior periods of comparison.

## *B.9 Maximum demand tariffs*

Maximum demand tariffs are excluded from this analysis.

## *B.10 Treatment of discounts/benefits*

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

- ▲ All price discounts (for example, discounts for direct debit payment, payment of bills on time, cash rebates) offered by energy retailers are incorporated when estimating annual bills; and
- ▲ Any non-cash benefits (for example, restricted product or service vouchers) offered have not been quantified and are not incorporated into the annual bill estimates.

Cash rebates and cash equivalent discounts, for this Report, are deducted from the post-GST calculation of the final annual bill, as they are inclusive of GST. For the first Ministerial Pricing Report published in August 2013, these rebates/discounts were deducted from the pre-GST bill; this Report contains the corrected values. Consequently, this slight methodological revision has resulted in some minor differences between the values reported in this Report and the report published in 2013.

### *B.11 Treatment of fees and charges*

Account establishment fees, credit card fees and other similar fees charged by retailers have been excluded from the annual bill estimates.

Early termination fees are also excluded. It is assumed that most customers do not exit contracts before their terms expire.

### *B.12 Green energy options*

Customers can choose to add an accredited “GreenPower” renewable energy component to Market Offers, ranging from the equivalent of 10% to 100% of the energy consumed.

The analysis of annual equivalent bills does not include the additional cost of the green energy components. Green offers have only been included if the Market Offer indicates that it is supplied at no additional cost.

The analysis of the green energy component of Market Offers is limited to a comparison between retailers of the additional cost per annum<sup>23</sup> for specified proportions of green energy unless the Offer specifies otherwise.<sup>24</sup>

### *B.13 Feed-in tariffs*

Some customers may also receive feed-in tariff (FiT) payments for energy exported from eligible roof-top solar photovoltaic (**PV**) generators. Estimated annual bill information is limited to consumption tariffs and, therefore, excludes potential FiT benefits.

Notwithstanding the above, a listing of the various FiT payments made by retailers is provided in Annexure G.

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<sup>23</sup> For the additional cost of adding various “green” energy options to individual Market Offers refer to Annexure E of this Report.

<sup>24</sup> Origin Energy presents contract offers with a 10% green component for no additional cost.

## ANNEXURE C RETAIL MARKET SHARES

### C.1 Retail electricity market shares

The relative shares of the South Australian retail market for all small electricity customers, at 30 June 2014, are shown in Table B.1. This table shows that the market is dominated by AGL<sup>25</sup> with an overall market share of 48.1%. The next three largest retailers after AGL, by market share, are:

- ▲ Origin Energy (19.5%)
- ▲ Energy Australia (10.2%)
- ▲ Simply Energy (8.7%).

**Table C.1: Retailer's small customer electricity customer numbers and market shares**

RETAILER	CUSTOMER NUMBERS 30 JUNE 2013	CUSTOMER NUMBERS 30 JUNE 2014	% CHANGE FY 2013-/14	MARKET SHARE 30 JUNE 2013	MARKET SHARE 30 JUNE 2014
AGL	416,405	405,531	- 2.6%	49.7%	48.1%
EnergyAustralia	95,315	85,575	- 10.2%	11.4%	10.1%
Origin Energy	157,927	164,147	+ 3.9%	18.9%	19.5%
Simply Energy	68,958	73,004	+ 5.9%	8.2%	8.7%
<b>Top 4 subtotal</b>	<b>738,605</b>	<b>728,257</b>	<b>- 1.4%</b>	<b>88.2%</b>	<b>86.4%</b>

<sup>25</sup> Prior to the move to deregulation of retail electricity prices on 1 February 2013, AGL was the retailer with the obligation to serve customers who chose to remain on Standing Contracts.

RETAILER	CUSTOMER NUMBERS 30 JUNE 2013	CUSTOMER NUMBERS 30 JUNE 2014	% CHANGE FY 2013-/14	MARKET SHARE 30 JUNE 2013	MARKET SHARE 30 JUNE 2014
Alinta Energy	14,095	25,505	+ 81.0%	1.7%	3.0%
Diamond Energy	137	339	+ 147.4%	<0.1%	<0.1%
ERM Power	37	83	+ 124.3%	<0.1%	<0.1%
Lumo Energy	48,046	46,251	- 3.7%	5.7%	5.5%
M2 Energy	-	297	-	-	<0.1%
Momentum Energy	9,265	12,362	+ 33.4%	1.1%	1.5%
Pacific Hydro Retail	-	112	-	-	<0.1%
Powerdirect	22,543	25,603	+ 13.6%	2.7%	3.0%
Progressive Green	-	2	-	-	<0.1%
QEnergy	134	463	+ 245.5%	<0.1%	0.1%
Red Energy	4,047	3,386	- 16.3%	0.5%	0.4%
Sanctuary Energy	612	644	+ 5.2%	0.1%	0.1%
<b>Total small retailers</b>	<b>98,916</b>	<b>115,047</b>	<b>+ 16.3%</b>	<b>11.8%</b>	<b>13.6%</b>
<b>Total all retailers</b>	<b>837,521</b>	<b>843,304</b>	<b>+ 0.7%</b>	<b>100%</b>	<b>100%</b>

NB: Some totals may not add due to rounding.

Source: AEMO

Starting from a small base, several of the small retailers have increased their customer numbers, though they still hold only a minor proportion of the total market. Small retailers have been successful in taking market share from the larger retailers AGL and Energy Australia.

Despite there now being 16 companies retailing in the small customer electricity market, it still remains highly concentrated:

- ▲ the two largest retailers have a combined market share of around **68%**
- ▲ the four largest retailers have a combined market share of more than **86%**
- ▲ the 12 smallest retailers have a combined market share of less than **14%**.

## C.2 Retail gas market shares

The relative retail shares of the South Australian market for all small gas customers, at 30 June 2014, are shown in Table B.2.

The market is dominated by Origin Energy (the original Standing Contract gas retailer<sup>26</sup>) with an overall market share of 46.0%. The next three largest retailers after Origin Energy, by market share, are:

- ▲ AGL (30.9%)
- ▲ Energy Australia (13.2%)
- ▲ Simply Energy (7.6%).

**Figure C.2: Gas retailers' small customer numbers and market shares**

RETAILER	CUSTOMER NUMBERS 30 JUNE 2013	CUSTOMER NUMBERS 30 JUNE 2014	% CHANGE FY 2013/14	MARKET SHARE 30 JUNE 2013	MARKET SHARE 30 JUNE 2014
AGL	131,077	131,764	+ 0.5%	31.2%	30.9%
Alinta Energy	4,050	10,044	+ 148.0%	1.0%	2.4%
EnergyAustralia	61,051	56,176	- 8.0%	14.5%	13.2%
Origin Energy	195,373	196,537	+ 0.6%	46.5%	46.0%
Simply Energy	28,905	32,434	+ 12.2%	6.9%	7.6%
<b>Total</b>	<b>420,456</b>	<b>426,955</b>	<b>+ 1.5%</b>	<b>100%</b>	<b>100%</b>

NB: Some totals may not add due to rounding.

Source: AEMO

Overall, customer numbers rose 1.5% over the 2013/14 financial year and every retailer, other than Energy Australia, increased their customer numbers. The strongest growth was recorded by Alinta Energy, which only entered the market in 2012, though it remained the smallest gas retailer. The small customer gas market remains very concentrated:

- ▲ the two largest retailers, Origin Energy and AGL, have a combined market share of approximately **77%**
- ▲ the three largest retailers have a combined market share of approximately **90%**
- ▲ the two smallest retailers have a combined market share of approximately **10%**.

Since June 2013, the combined market share of the top two retailers has decreased very slightly (by 0.8%) as a consequence of Alinta Energy's entry into the market, and the growth of Simply Energy's market share, largely at the expense of Origin Energy and Energy Australia.

<sup>26</sup> Prior to the move to deregulation of retail gas prices on 1 February 2013, Origin Energy was the retailer with the obligation to serve customers who chose to remain on Standing Contracts.

## ANNEXURE D AER ENERGY MADE EASY CONSUMPTION PROFILES

The allocation of consumption between quarters is based on historic quarterly data reported by energy retailers in South Australia, and is consistent with the 2013 Ministerial Pricing Report. However, the allocations differ from those used by the AER for the purpose of calculating bills in *Energy Made Easy*. Accordingly, the annual bill estimates used in this Report will differ slightly from those produced in *Energy Made Easy*, even where prices and assumed total consumption is the same.

It is noted that the Consumer Information Implementation Committee commissioned a study by ACIL Tasman in December 2011, which recommended quarterly splits of consumption as set out in Table D.1 below. The AER has not adopted these weightings in the algorithms used by *Energy Made Easy*, preferring instead to allocate consumption evenly across all seasons when a 365 day year is selected. Consequently, for any period greater than a 365 day year, the EME delivers results that are inconsistent with the Commission's estimates. However, for any period shorter than a 365 day year, EME does use the ACIL Tasman weightings as shown in Table D.1 below.

**Table D.1: Seasonal breakdown (ACIL Tasman weightings)**

SEASON	WEIGHTING	CONSUMPTION (KWH)
Summer	23%	1,135
Autumn	23%	1,150
Winter	27%	1,340
Spring	28%	1,375
<b>Total</b>	<b>100%</b>	<b>5,000</b>
Summer	23%	1,135
Non-Summer	77%	3,865
<b>Total</b>	<b>100%</b>	<b>5,000</b>

Given these issues, and to ensure consistency with earlier reports, the Commission has instead opted to continue to use the seasonal consumption profile as detailed in Table D.1.

## ANNEXURE E OFF-PEAK CONTROLLED LOAD OFFERS

Off-peak controlled load (OPCL) offers include an off peak tariff at a lower rate than other offers. This is commonly utilised mainly by residential customers with electric hot water services, who typically will use around 2,500 kWh per year.<sup>27</sup>

The Commission has compared controlled load tariffs for the first tier only for Standing Offers. Typical consumption is well within the quantities allowed in the first tier for all offers, which is approximately 2,000kWh per quarter. The changes in first tier prices over the 2013/14 financial year for the residential and small business customers appear in separate tables below.

**Table E.1: Residential Standing Offer OPCL tier one tariffs for FY 2013/14**

RETAILER	30 JUNE 2013	30 JUNE 2014	% CHANGE
AGL	13.45	13.80	+ 2.6%
Alinta Energy	14.09	15.74	+ 11.7%
Diamond Energy	16.50	16.50	-
EnergyAustralia	n/a	15.30	-
ERM Power Retail Pty Ltd	n/a	n/a	-
Lumo Energy	14.09	14.65	+ 4.0%
M2 Energy (Commander)	n/a	16.50	-
Momentum Energy	16.99	16.55	- 2.6%
Origin Energy	14.09	16.13	+ 14.5%
Pacific Hydro	n/a	17.52	-
Powerdirect	14.45	14.84	+ 2.7%
QEnergy	n/a	13.80	-
Red Energy	16.50	17.40	+ 5.5%
Sanctuary Energy	14.09	15.97	+ 13.3%
Simply Energy	14.09	16.96	+ 20.4%
<b>Average</b>	<b>14.83</b>	<b>15.83</b>	<b>+ 6.7%</b>

<sup>27</sup> Source: SA Power Networks, email correspondence, 23 July 2014.

**Table E.2: Small business Standing Offer OPCL tier one tariffs for FY 2013/14**

RETAILER	30 JUNE 2013	30 JUNE 2014	% CHANGE
AGL	13.45	13.80	+ 2.6%
Alinta Energy	n/a	19.20	-
Diamond Energy	14.65	14.65	-
EnergyAustralia	n/a	15.30	-
ERM Power Retail Pty Ltd	n/a	18.67	-
Lumo Energy	n/a	n/a	-
M2 Energy (Commander)	n/a	15.20	-
Momentum Energy	17.84	16.55	- 7.2%
Origin Energy	14.09	14.87	+ 5.5%
Pacific Hydro	n/a	15.82	-
Powerdirect	14.45	14.84	+ 2.7%
QEnergy	n/a	13.46	-
Red Energy	16.50	17.40	+ 5.5%
Sanctuary Energy	n/a	n/a	-
Simply Energy	n/a	15.71	-
<b>Average</b>	<b>15.16</b>	<b>15.81</b>	<b>+ 4.2%</b>

Average OPCL tier one tariffs for Standing Offers have increased at a higher rate than the overall Standing Offers for both the residential and small business customers, but much less than the 12.3% increase in the SA Power Networks controlled load network tariffs. This may reflect that the amount of off-peak electricity sold has been falling.<sup>28</sup>

<sup>28</sup> SA Power Networks, email correspondence, 23 July 2014.



## ANNEXURE F GREEN ENERGY OPTIONS

Nine of the sixteen electricity retailers offer renewable energy (“green power”) options. These options range from between 10% to 100%, and are approved under the National GreenPower Accreditation Program.

Most retailers offer the green options for an additional cost to a Market Offer and this has been reported. However, a small number of retailers prefer to offer dedicated green power contracts where the cost of green power is embedded within the quoted electricity tariffs and, thus, may not be identifiable as a specific additional cost. In these instances, it may not be possible to isolate the cost (or premium) for this “green” component, unless it can be compared to an equivalent Market Offer with no such component.

At 30 June 2014, Alinta Energy, Diamond Energy, ERM Power, Momentum Energy and Pacific Hydro did not offer any green power options. Furthermore, during the March quarter, Sanctuary Energy advised that it will no longer participate in the GreenPower programs citing its small customer base, the high cost of participating and managing the program, and the limited customer participation<sup>29</sup>.

Lumo Energy and Simply Energy prefer to offer dedicated green power contracts. All other retailers incorporate a range of green power options as an additional cost to their existing Market Offers. In addition, Origin Energy offers a green gas option on any gas contract for an additional cost of \$1 per week. However, unlike electricity, the Origin Energy green gas option is, effectively, an offset of carbon emissions, funded through a contribution scheme to purchase entitlements into Origin’s carbon emission reduction scheme.

The Commission notes that the additional green power costs have not changed in the twelve months from 30 June 2013 to 30 June 2014 for all but one retailer. Energy Australia is the only retailer to have increased its green power cost, by 30.3%. The additional cost on annual electricity bills, for a 100% green power option, ranges from \$154 for Origin Energy to \$514 for Powerdirect.

Also noted is that Lumo Energy withdrew its 100% green electricity Market Offer during the last six months.

A summary of the green power Market Offers available at 30 June 2013 and 30 June 2014 is set out in Tables F.1 and F.2 below.

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<sup>29</sup> Email correspondence dated 28 January 2014.

**Table F.1: The additional annual costs of green energy options for electricity Market Offers**  
(GST inclusive)

RETAILER	GREEN POWER COMPONENT	ADDITIONAL COST 30 JUNE 2013	ADDITIONAL COST 30 JUNE 2014	COMMENTS
AGL	10%	\$ 57	\$ 57	
AGL	20%	\$ 94	\$ 94	
AGL	100%	\$ 275	\$ 275	
EnergyAustralia	10%	\$ 19	\$ 26	
EnergyAustralia	20%	\$ 39	\$ 52	
EnergyAustralia	100%	\$ 199	\$ 260	
Origin Energy	10%	-	-	At no additional cost
Origin Energy	20%	\$ 52	-	
Origin Energy	25%	-	\$ 52	
Origin Energy	50%	\$ 77	\$ 77	
Origin Energy	100%	\$ 154	\$ 154	
Powerdirect	10%	\$ 51	\$ 51	
Powerdirect	20%	\$ 103	\$ 103	
Powerdirect	25%	\$ 128	\$ 128	
Powerdirect	50%	\$ 257	\$ 257	
Powerdirect	75%	\$ 385	\$ 385	
Powerdirect	100%	\$ 514	\$ 514	
QEnergy	10%	\$ 33	\$ 33	
QEnergy	50%	\$ 165	\$ 165	
QEnergy	100%	\$ 330	\$ 330	

RETAILER	GREEN POWER COMPONENT	ADDITIONAL COST 30 JUNE 2013	ADDITIONAL COST 30 JUNE 2014	COMMENTS
Red Energy	100%	\$ 292	\$ 292	
M2 Energy (Dodo)	10%	-	\$ 33	
Lumo Energy	10%	\$ 33	\$ 33	Dedicated green Market Offer
Lumo Energy	100%	\$ 330	n/a	Green offer withdrawn
Simply Energy	10%	-	-	At no additional cost
Simply Energy	100%	\$ 275	\$ 275	Dedicated green Market Offer
Alinta Energy	0%	-	-	No green options offered
Diamond Energy	0%	-	-	No green options offered
ERM Power	0%	-	-	No green options offered
Momentum Energy	0%	-	-	No green options offered
Pacific Hydro	0%	-	-	No green options offered
Sanctuary Energy	100%	\$ 295	n/a	Green offer withdrawn

**Table F.2: The additional annual costs of green energy options for gas Market Offers**  
(GST inclusive)

RETAILER	GREENPOWER COMPONENT	ADDITIONAL COST 30 JUNE 2013	ADDITIONAL COST 30 JUNE 2014	COMMENTS
Origin	100%	\$ 52.00	\$ 52.00	Payment to offset emissions

## ANNEXURE G RETAILER FEED-IN TARIFFS (R-FIT)

In the June 2014 quarter, 12 of 15 electricity retailers were paying a feed-in tariff to customers with solar photo-voltaic (PV) systems that fed electricity back into the grid. The remaining three (QEnergy, Pacific Hydro and Red Energy) do not actively market to solar PV customers.

In December 2013, the Commission determined that the **minimum** R-FiT from 1 January 2014 would be 7.6 c/kWh<sup>30</sup> – this was a reduction of 2.2 c/kWh from the 9.8 c/kWh that applied during 2013. Retailers are free to offer more than the minimum R-FiT.

Table G.1 shows the amount of the R-FiT that electricity retailers in South Australia were offering since December 2013.

**Table G.1: R-FiT amounts paid by electricity retailers, cents/kWh, GST exclusive**

RETAILER	31 DEC 2013	31 MARCH 2014	30 JUNE 2014
AGL	9.8	8.0	8.0
Alinta Energy	9.8	9.8	9.8
Diamond Energy	9.8	8.0	8.0
EnergyAustralia	9.8	9.8	7.6
ERM Power Retail Pty Ltd	n/a	9.8	7.6
Lumo Energy	9.8	9.8	7.6
M2 Energy (Dodo/Commander)	n/a	7.6	7.6
Momentum Energy	9.8	7.6	7.6
Origin Energy	9.8	7.6	7.6
Pacific Hydro	n/a	7.6	7.6
Powerdirect	9.8	8.0	8.0
QEnergy	9.8	7.6	7.6
Red Energy	9.8	7.6	7.6
Sanctuary Energy	30*	7.6	7.6
Simply Energy	9.8	7.6	7.6

\* Sanctuary Energy offered a 30 c/kWh R-FiT to customers who purchased solar panels from their partners.

<sup>30</sup> With the effective repeal of the carbon tax from 1 July 2014, the minimum R-FiT payable is now 6.0 c/kWh in accordance with the Commission's determination dated 17 December 2013. Details of this determination may be accessed at: <http://www.escosa.sa.gov.au/projects/projectdetails.aspx?p=69&id=200#stage-list=4>.

At 31 March 2014, six retailers, with a combined market share of the small customer electricity market of approximately 70%, were continuing to pay above the minimum R-FiT. By 30 June 2014, the number of retailers paying above the minimum R-FiT had reduced to four and the resultant combined market share of these four retailers (AGL, Alinta Energy, Diamond Energy and Powerdirect) totalled 54%, with AGL having the largest share of the market at 48%.

Among the retailers paying above the minimum R-FiT in March and June 2014, Alinta Energy continued to offer 9.8 c/kWh; 2.2 c/kWh above the minimum. The remaining retailers offered an R-FiT of 8.0 c/kWh; 0.4 c/kWh above the minimum.



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