



Energy Retail Price Offers Comparison Report 2018-19 (Executive Summary)

Report to the Minister for Energy and Mining

August 2019

Executive summary

Under the Electricity Act 1996 and Gas Act 1997, the Essential Services Commission (**Commission**) provides to the Minister for Energy and Mining (**Minister**) an annual Energy Retail Price Offers Comparison Report (**Report**). This 2018-19 Report compares electricity and gas retail price offers available to South Australian residential and small business customers during the period 30 June 2018 to 30 June 2019.

The Report provides a snapshot of energy retail price offers available in the market at a particular time. In doing so, it applies an annual bill approach, using set levels of customer consumption, to monitor energy retail price offers in South Australia.

This Report does not consider recent electricity and gas price movements which may have occurred after 30 June 2019, or after the introduction of the Default Market Offer by the Australian Energy Regulator, effective from 1 July 2019.¹

The key observations on energy retail offer price movements over the 12 months to 30 June 2019 are set out below.

Average annual residential electricity retail Standing Offer prices remained relatively unchanged but Market Offer prices fell over the 12 months to 30 June 2019. Both average annual small business electricity retail Standing Offer and Market Offer prices fell over the same period

- ▶ Average annual residential electricity retail Standing Offer prices remained relatively unchanged (-0.04 percent) but Market Offer prices fell by three percent over the 12 months to 30 June 2019. This is equivalent to an average annual bill reduction of \$62 for a customer on a Market Offer. This increased the average discount between the two types of offers from \$381 to \$442.
- ▶ Average annual small business electricity retail Standing Offer and Market Offer prices fell by one percent and three percent respectively over the same period. This is equivalent to an average annual bill reduction of \$73 for a small business customer on a Standing Offer, and a \$141 reduction for a customer on a Market Offer. This increased the average discount between the two types of offers from \$667 to \$734.

Average annual residential gas retail Standing Offer and Market Offer prices both fell over the 12 months to 30 June 2019. Average annual small business gas retail Standing Offer prices increased but average annual retail Market Offer prices fell over the same period

- ▶ Average annual residential gas retail Standing Offer and Market Offer prices both fell by two percent over the 12 months to 30 June 2019. This is equivalent to an average annual bill reduction of \$26 for a residential customer on a Standing Offer, and a \$21 reduction for a customer on a Market Offer. This reduced the average discount between the two types of offers from \$131 to \$126.
- ▶ At 30 June 2019, only Origin Energy actively marketed to regions outside of Adelaide. Origin Energy offered the same gas retail Standing Offer prices to their metropolitan and non-metropolitan residential customers.

¹ Further information on the introduction of Default Market Offer from 1 July 2019 can be accessed from the Australian Energy Regulatory website at: <https://www.aer.gov.au/news-release/aer-issues-default-market-offer-decision>.

- ▶ Average annual small business gas retail Standing Offer prices increased by one percent but average annual retail Market Offer prices fell by one percent over the same period. This is equivalent to an average annual bill increase of \$64 for a small business customer on a Standing Offer, and a \$63 reduction for a customer on a Market Offer. This increased the average discount between the two types of offers from \$642 to \$768.

Market Offers were generally priced at a discount to Standing Offer prices and the extent of discounting increased in 2018-19

- ▶ There was a wide range of discounts between electricity retail Standing Offers and Market Offers. For residential customers, the discount between a retailer's Standing Offer and average Market Offer ranged from one percent to 30 percent. For small business customers, the available discount ranged from one percent to 25 percent.
- ▶ Gas retail Market Offers were also generally priced at a discount to Standing Offers. For residential customers, the discount between a retailer's Standing Offer and their average Market Offer ranged from six percent to 20 percent. For small business customers, the available discount ranged from four percent to 23 percent.

Customers can save by shopping around for a better energy retail price offer

- ▶ Energy retailers were differentiating their retail Market Offers in a variety of ways (for example, through retail tariffs, discounts, fees and charges, contract duration and sign-up incentives) resulting in annual bill differences between Market Offers. However, the extent of differentiation was less in gas than for electricity.
- ▶ At 30 June 2019, where a retailer discounted a retail Market Offer against its Standing Offer, residential electricity customers on a Standing Offer could have saved between \$20 and \$1,060 per annum had they switched to their retailer's lowest-priced Market Offer.
- ▶ At 30 June 2019, where a retailer discounted a retail Market Offer against its Standing Offer, residential gas customers on a Standing Offer could have saved between \$110 and \$270 had they switched to their retailer's lowest-priced Market Offer.
- ▶ With the range of energy retail offers available, customers can save by shopping around for a better offer. Customers can either change their energy retailer or find a better offer with their current energy retailer. Customers can make use of the Australian Energy Regulator's (AER) Energy Made Easy online service (www.energymadeeasy.gov.au) to compare all available energy offers.

South Australian solar customers had a choice of offers available to them and electricity retailers were recognising the benefit of fed-in solar electricity

- ▶ At 30 June 2019, R-FiTs ranged from 6.8 cents to 23 cents per kWh.
- ▶ The available evidence shows that South Australian solar customers had a choice of offers available to them and were not paying more for electricity than non-solar customers. Further, electricity retailers were recognising the benefit of fed-in solar electricity through offering a R-FiT to solar customers. This suggests that the Commission does not need to re-set a minimum R-FiT at this stage.
- ▶ The Commission will continue to monitor retail offers to solar customers to inform itself on whether or not solar customers can access electricity offers comparable with those of non-solar customers and/or electricity retailers are offering R-FiTs to solar customers that reflect average wholesale electricity prices.



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