



Supplementary Electricity Retail Price Offers Comparison Report 2019 (Executive Summary)

Report to the Minister for Energy and Mining

February 2020

Executive summary

The Essential Services Commission (**Commission**) received an information request from the South Australian Minister for Energy and Mining (**Minister**) to produce a Supplementary Electricity Retail Price Offers Comparison Report (**Report**) pursuant to the Electricity (General) Regulations 2012. This Report is in addition to the Energy Retail Price Offers Comparison Report prepared annually by the Commission under the Electricity Act 1996 and Gas Act 1997.

The information request requires the Commission to examine the prices for the sale of electricity in South Australia following the introduction of the Default Market Offer (**DMO**) by the Australian Energy Regulator (**AER**) on 1 July 2019, by considering the prices of electricity retail Standing Offers and Market Offers for residential and small business customers and relevant customer numbers on these prices.

The observations set out in this Report are based on electricity retail offer prices that were publicly available to residential and small business customers in South Australia on 30 June 2019 and on 31 October 2019. Electricity retail offers not publicly available on these dates and the associated number of customers on those offers are therefore excluded from the analysis.

Analysis carried out by the Commission on the data provided by electricity retailers operating in South Australia indicates the following:

- ▶ The weighted average retail Standing Offer and Market Offer prices for both residential and small business customers were lower at 31 October 2019 when compared to 30 June 2019.
- ▶ Retailers have generally responded to the introduction of the DMO by decreasing the range of electricity retail offer prices available. The majority of retailers set retail Standing Offer prices either at or just below the DMO price as at 31 October 2019.
- ▶ The majority of residential and small business electricity retail Market Offers were still priced below the DMO as at 31 October 2019. The price range and available discounts had decreased, when compared to retail Market Offers publicly available on 30 June 2019. This does not necessarily indicate that customers are worse off because the newer discounts were applied against lower retail Standing Offer prices, as evidenced by the lower weighted average retail Market Offer prices.
- ▶ For residential customers, the number of customers on retail Standing Offers was broadly unchanged. There was an increase in the number of customers on the lower-priced retail Market Offers and a corresponding decrease in the number of customers on the higher-priced retail Market Offers.
- ▶ For small business customers, there was an increase in the number of customers on the lower-priced retail Standing Offers and a decrease in the number of customers on the high-priced retail Standing Offers. In addition, the number of small business customers on retail Standing Offers has increased but the number of customers on retail Market Offers has decreased.

The Commission notes that it may be too early to draw any enduring conclusions about the impact of the DMO from this Report because the 31 October 2019 snapshot is only four months after the introduction of the DMO. Customers might therefore not have had the opportunity to engage in the market between 30 June 2019 and 31 October 2019, for example, due to exit fees. The impact of the DMO on the South Australian electricity retail market should become clearer over a longer period of time.

Further, the Commission expects that electricity retailers will continue to structure their electricity retail offers and prices in response to other factors such as competition and business requirements and not solely the DMO.



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