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Electricity

Supplementary Electricity Retail Price Offers Comparison Report 2020 (Executive Summary)

Report to the Minister for Energy and Mining

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Executive summary

The Essential Services Commission (**Commission**) is a statutory authority established as an independent economic regulator and advisory body under the *Essential Services Commission Act 2002* (**ESC Act**).

The Commission has economic regulatory responsibility in the water, sewerage, electricity, gas, rail and maritime services, and a general advisory function on regulatory and economic matters. The ESC Act and various industry Acts together provide the Commission with those regulatory and advisory powers and functions.

Under the ESC Act the Commission has the primary objective of:

'... protection of the long term interests of South Australian consumers with respect to the price, quality and reliability of essential services'

In September 2019, the Commission received an information request from the South Australian Minister for Energy and Mining (**Minister**) to produce an annual Supplementary Electricity Retail Price Offers Comparison Report (**Report**) pursuant to the *Electricity (General) Regulations 2012*. The information request 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*.

This Report is the second Report published by the Commission, completing the Minister's information request. The purpose of that request was to allow the Minister to obtain information and data from the Commission, which the Minister could use, in combination with other information, to assess the policy and market outcomes of the Default Market Offer (**DMO**). The information request advised that after this Report, the South Australian Government will assess the need for ongoing reporting.

The information request requires the Commission to examine the prices for the sale of electricity in South Australia following the introduction of the 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 DMO is an annual maximum reference price set by the AER and is designed to make it easier for residential and small business customers to compare energy plans across different electricity retailers as retailers must compare all offers against the reference price.

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 2020 and/or on 31 October 2020. Electricity retail offers not publicly available on these dates and the associated number of customers on those offers are therefore excluded from the analysis.

The Commission estimates that the proportion of electricity customers analysed in the Report is approximately 24 percent for residential customers, and 15 percent for small business customers, of the respective total customer base in South Australia. All data, tables and figures presented in the Report are therefore only specific to these subsets of customers.

The remaining 76 percent of residential customers and 85 percent of small business customers were on electricity retail offers that were not publicly available on 30 June 2020 and/or on 31 October 2020. Therefore, this Report does not comment on pricing outcomes for these customers.

The key retail electricity pricing outcomes are summarised in Table 1.

Table 1: Key retail electricity pricing outcomes 30 June 2020 to 31 October 2020

Customer types	Average retail price change (percentage)		
	Standing Offer	Market Offer	Default Market Offer
Residential customers with controlled load (assuming annual general usage of 4,200 kWh and annual controlled load usage of 1,800 kWh)	-7	-7	-7
Residential customers without controlled load (assuming general usage of 4,000 kWh)	-5	-5	-6
Residential customers with solar photovoltaics without controlled load (assuming general usage of 4,000 kWh)	-5	-5	-6
Small business customers without controlled load (assuming annual general usage of 20,000 kWh)	-9	-8	-9
Small business customers without controlled load (assuming annual general usage of 100,000 kWh)	-9	-8	-9

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

- ▶ Retailers increased the range of electricity retail offer prices available as at 30 June 2020 and 31 October 2020, compared to corresponding dates in 2019.
- ▶ The extent of discounting between the average retail Standing Offer price and the DMO 2020-21 price has widened at 31 October 2020. The majority of retailers had previously set their retail Standing Offer prices either at or just below the DMO 2019-20 price as at 31 October 2019.
- ▶ The majority of residential and small business electricity retail Market Offers were priced below the DMO 2020-21 price as at 31 October 2020. Both the price range and available discounts had also generally increased, when compared to retail Market Offers publicly available on 30 June 2020.
- ▶ For residential customers, the proportion of customers on retail Standing Offers was broadly unchanged. In terms of the distribution of customers across price bands, the majority of customers were on the lower annual bill price bands for both retail Market and Standing Offers.
- ▶ For small business customers, there was an increase in the proportion of customers on retail Market Offers. In terms of the distribution of customers across price bands, the majority of customers were on the lower annual bill price bands for both retail Market and Standing Offers.

Although it is too early to draw any enduring conclusions about the impact of the DMO price on electricity retail prices in South Australia, there is evidence of growing price and product competition (as evidenced by the increased range of retail electricity offers and discounts as at 31 October 2020 compared to 31 October 2019). 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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