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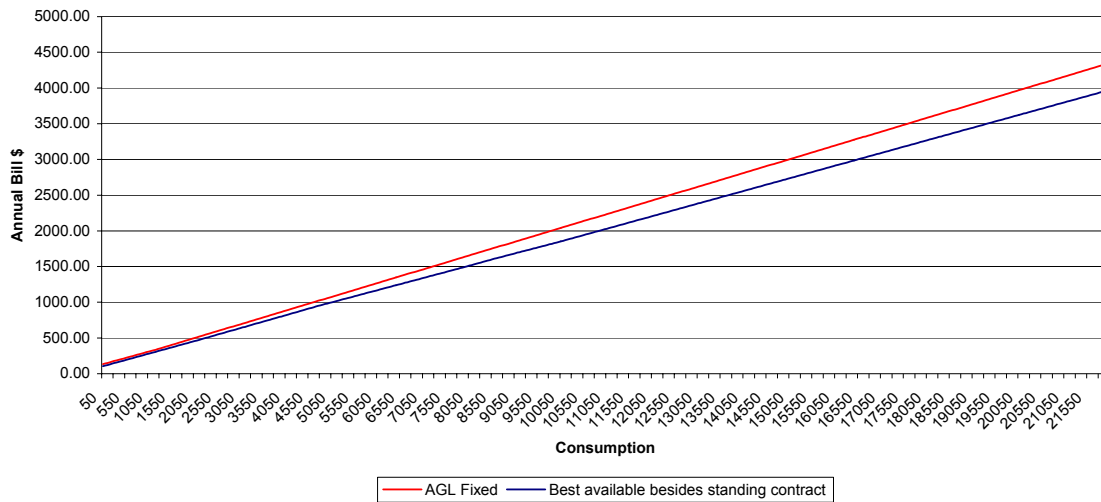
**Monitoring the Development of Energy Retail Competition
in South Australia - Statistical Report, September 2004**

Erratum

Please be advised that the estimated value of potential savings from moving to a market contract contained in Section 6.4 (Price Comparisons for Residential Offers) of the report "Monitoring the Development of Energy Retail Competition in South Australia - Statistical Report", September 2004, have been revised following clarification that some of the offers are not available for consumption below specified levels.

A revised set of pages 50 to 54 inclusive of Section 6.4 of the report is attached. A revised Summary (Section 8) of the report is also attached, which amends the summary of this section at the fourth paragraph.

**Figure 4: Annual Residential Bill Comparison
AGL Standing Contract Electricity Prices vs Cheapest Alternative
All Consumption at Peak Rates (Excludes Off-Peak Hot Water Heating)
(Incorporates Direct Debit and Loyalty Rebates where Applicable)**



**Table 16: Annual Residential Bill Comparison⁽ⁱ⁾
AGL Standing Contract Electricity Prices vs Cheapest Alternative
Selected Consumption Levels: All Consumption at Peak Rates
(Incorporates Direct Debit and Loyalty Rebates where Applicable)**

ANNUAL CONSUMPTION (kWh)	AGL SA STANDING CONTRACT (\$)	BEST AVAILABLE CONTRACT (\$)	ANNUAL SAVING ⁽ⁱⁱ⁾ (\$)	ANNUAL PERCENTAGE SAVING (%)
2000	489	447	43	8.7%
3000	682	629	53	7.8%
4000	875	811	64	7.3%
5000	1067	991	77	7.2%
6000	1260	1162	99	7.8%
7000	1453	1332	121	8.3%
8000	1646	1503	143	8.7%
9000	1839	1676	162	8.8%
10000	2031	1843	188	9.3%

(i) source: retailer offer material supplied to Commission.

(ii) may be some variation due to rounding.

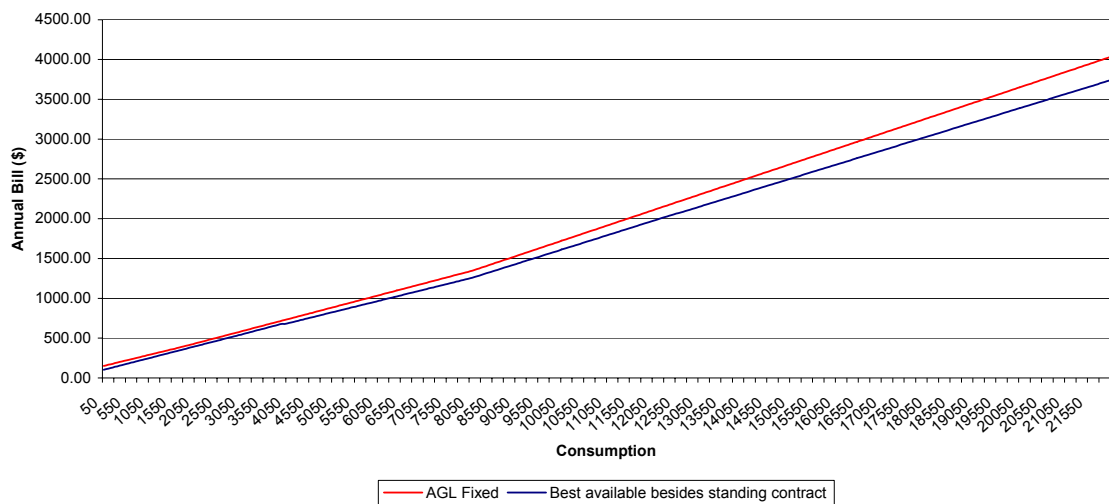
Figure 4 and Table 16 indicate that the level of potential savings increase in absolute dollar (\$) terms with increasing levels of consumption. Whilst the level of potential savings might appear modest, for an individual with an annual consumption of 5,000 kWh, a saving of \$77 would represent a saving of around 7% on a standing contract-based annual bill. For consumption levels of 10,000 kWh p.a. the potential savings could be of

the order of 9%. Over the consumption range provided in Table 16, potential savings are within a range of 7% to 9%.

Comparing Table 16 with the equivalent Table 4 in the May 2004 Statistical Report, shows that since the last report the absolute level of potential savings has declined slightly; resulting from the market offers largely remaining static against a small decline in the AGL SA standing contract rates. The annual percentage saving has declined by around 0.7%.

Figure 5 and Table 17 make a similar annual residential bill comparison, but include hot water consumption at off-peak rates.

**Figure 5: Annual Residential Bill Comparison
 AGL Standing Contract Electricity Prices vs Cheapest Alternative
 Consumption: Mix of Peak Rates & Hot Water at Off-Peak Rates
 (Incorporates Direct Debit and Loyalty Rebates where Applicable)**



**Table 17: Annual Residential Bill Comparison⁽ⁱ⁾
AGL Standing Contract Electricity Prices Vs Cheapest Alternative
Selected Consumption Levels
Consumption: Mix of Peak Rates & Hot Water at Off-Peak Rates
(Incorporates Direct Debit and Loyalty Rebates where Applicable)**

ANNUAL CONSUMPTION (kWh)	AGL SA STANDING CONTRACT (\$)	BEST AVAILABLE CONTRACT ⁽ⁱ⁾ (\$)	ANNUAL SAVING ⁽ⁱⁱ⁾ (\$)	ANNUAL PERCENTAGE SAVING (%)
2000	425	390	36	8.4%
3000	577	537	40	6.9%
4000	728	676	51	7.1%
5000	879	818	60	6.9%
6000	1030	960	69	6.7%
7000	1181	1102	79	6.6%
8000	1332	1244	88	6.6%
9000 ⁽ⁱⁱⁱ⁾	1521	1422	99	6.5%
10000 ⁽ⁱⁱⁱ⁾	1713	1603	110	6.4%

(i) source: retailer offer material supplied to Commission.

(ii) may be some variation due to rounding.

(iii) an error occurred in the calculation of the AGL SA Standing Contract rates in the May 2004 Statistical Report, but was not material enough to affect the percentage savings result for these consumption levels.

Figure 5 and Table 17 indicate that the level of potential savings increase in absolute dollar (\$) terms with increasing levels of consumption, as was the case for all consumption at peak rates. For an individual with an annual consumption of 5,000 kWh (including off-peak hot water⁶⁷), a saving of \$60 would represent a saving of around 7% on a standing contract-based annual bill. For consumption levels of 10,000 kWh the potential savings would be of the order of 6%. Over the consumption range contained in Table 17, potential savings are within a range of 6% to 8%.

Comparing Table 17 with the equivalent Table 5 in the May 2004 Statistical Report, shows that since the last report, the absolute level of potential savings has declined for 2,000 to 4,000 kWh p.a. consumption range and for the 10,000 kWh p.a. level. Small increases in the absolute level of savings has occurred for the consumption range of 5,000 to 9,000 kWh p.a.

Table 18 uses an annual consumption level of 5,000 kWh (with and without off-peak hot water) to compare the results in this report with those in the May 2004 Statistical Report, to show that there has been a small improvement for this mid-range category in the level of potential savings from taking out a market contract that includes off-peak hot water. However, as indicated above, for all consumption at peak rates there has been a slight decline in the level of potential savings.

⁶⁷ Hot water use assumed to be one-third of total consumption, up to a cap of 2700 kWh.

Table 18: Improvement in Potential Savings from Moving to a Market Contract (Comparing September 2004 Results with May 2004 Statistical Report)

ANNUAL CONSUMPTION (kWh)	POTENTIAL SAVINGS	
	5,000 KWH P.A. NO OFF-PEAK HOT WATER (\$)	5,000 KWH P.A. INCLUDING OFF-PEAK HOT WATER (\$)
May 2004 Statistical Report	7.9%	6.1%
September 2004 Statistical Report	7.2%	6.9%

It is important that each consumer makes their own assessment of potential savings as the level and pattern of consumption determines the tariffs applied, and a good deal for one consumer might not be for another. Also, this analysis has not modelled all rebates on offer, as indicated only including direct debit rebates and loyalty rebates (rather than joining rebates) given their on-going nature.



8 SUMMARY

This report shows that as at the end of June 2004, there had been around 134,000 small customer completed transfers to electricity market contracts in the South Australian electricity retail market. These completed transfers represent 18% of the South Australian small customer base of around 740,000 electricity customers. In addition, around 20,000 small electricity customer transfers were in progress⁸¹ at the end of June 2004, representing a further 3% of the small customer base.

The second quarter of 2004 (April to June) has seen a substantial increase in the number of completed transfers, given that as of 31 March 2004 there had been around 38,000 (5%) completed transfers and that the March figure had represented a significant increase on the position as at 31 December 2003, where there had been around 14,000 (1.9%) completed transfers. It is understood that this substantial growth was strongly influenced by a large take up of the Government's Electricity Transfer Rebate (ETR), which expired on 13 August 2004. Consequently, monthly transfer rates would be expected to drop to more 'normal' levels from September 2004.

FRC has now operated in the South Australian electricity retail market for 18 months. As noted in section 7 of this report, experience interstate suggests that the South Australian retail electricity market is developing well in the Australian context.

At this stage, South Australia has five retailers operating in the small customer electricity retail market. As indicated in Section 6.4 of this Statistical Report, retailers continue to offer cheaper prices compared to the standing contract rates and so an incentive for customers to switch to market contracts exists. Since the May 2004 Statistical Report there has been a small decline of less than 1% in the level of potential savings in moving to an electricity market contract for some electricity consumers as a result of offers not matching the small decline in standing contract rates that occurred on 1 July 2004. However, there has been a small improvement in the value of offers for some consumers of off-peak hot water. For electricity customers with average annual consumption, the potential level of savings is in the order of 7% to 8%.

An important development has occurred since the May 2004 Statistical Report, with the commencement on 28 July 2004 of competition in the gas market for small consumers. This will enable retailers to compete for dual fuel accounts, potentially being able to pass on some efficiency gains to consumers. The initial indications are that the gas retail market has commenced well in terms of the number of customer transfers, but detailed analysis will not be available until the March 2005 Statistical Report.

This report shows that as at the end of August 2004, there had been around 3,300 small customer completed transfers to market contracts in the South Australian gas retail market. These completed transfers represent 1% of the South Australian small gas

⁸¹ That is, contracts have been signed but the transfer (change of retailer financial responsibility) has not yet occurred.



customer base of around 340,000 customers. In addition, around 9,500 small gas customer transfers were in progress at the end of August 2004, representing a further 3% of the small customer base.

The Commission hopes to be in a position to shortly report monthly electricity and gas customer transfer statistics on its website, in accordance with the reporting framework outlined in the September 2004 FRC Monitoring Final Decision paper.

The results of the small customer (residents and small business) survey undertaken in August 2004 reinforce the view that the South Australian electricity retail market is now performing well and, although at an early stage of development, there appears to have been a good start to the gas retail market. An overwhelming majority of both residential and small business respondents considered the transfer process to be easy.

A significant increase was identified in the proportion of residential and small business electricity respondents aware that they could now choose their electricity retailers, with a similar high level of awareness amongst gas respondents. Price was rated as an extremely important driver in the decision to move to a market contract.

A significant increase was also identified in the proportion of residential electricity respondents receiving an offer of a contract, with an encouraging number of gas market contracts being offered. A high proportion of respondents receiving offers considered them easy to understand.

There were encouraging signs that all sectors of the community have access to market contracts, with the customer survey indicating that those respondents in lower income groups were more likely to have received an offer and to have taken out a market contract compared with the overall survey group.

Survey respondents indicated low levels of experience with misleading and deceptive behaviour from energy retailers.

The results of the retailer survey indicate that a similar number of retailers are intending to service the small customer electricity retailer market in 2004/05, with the potential for a slight increase. The number of gas retailers offering market contracts in metropolitan Adelaide in 2004/05 looks like being broadly similar to the number offering electricity contracts. However, at this stage, only three retailers have indicated an intention to offer gas contracts in rural and regional South Australia in 2004/05.

The retailer survey results also indicate that there has been an increase in the range of products on offer over the past year, with a key development being the extension to gas offers, with various dual fuel offers available. There also appears to be a broader range of green energy products on offer.

The Commission will continue to assess opportunities for it to assist small customers to make informed decisions on alternative electricity retail offers. To date, this assistance has taken the form of the Estimator, Electricity Price Comparison Services and supporting

the COTA price comparison initiative for older South Australians, as discussed in Section 6 of this report. The indications are that all these services are being well patronised, although the small customer survey indicated that only a quarter of the residents surveyed were aware of the availability of such assistance.

The next report in this series is scheduled to be released in March 2005.

