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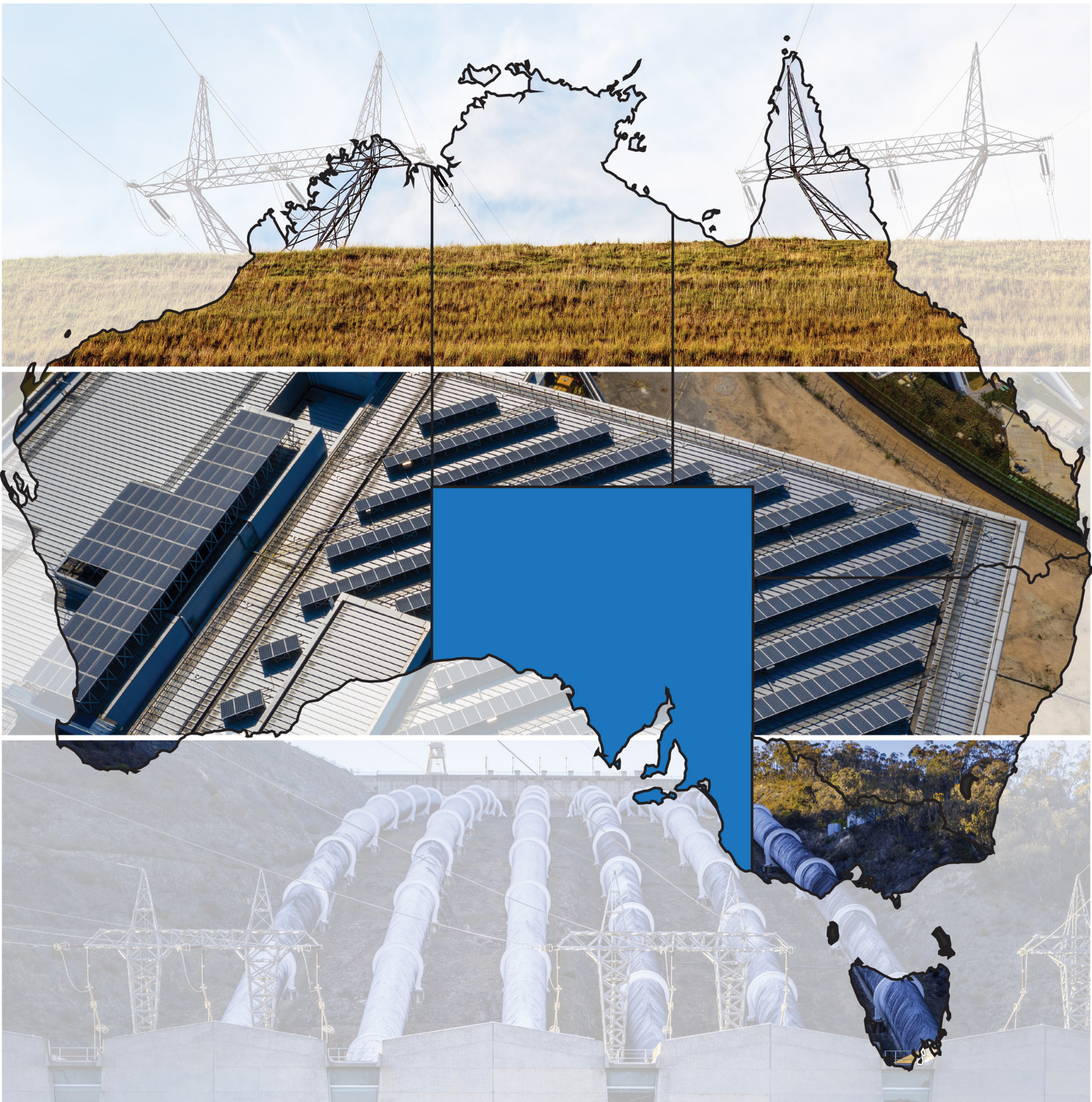
South Australian Energy Prices July 2019

An update report on the South Australian Tariff-Tracking Project



South Australian Energy Prices July 2019
An Update report on the South Australian Tariff-Tracking Project

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Disclaimer

The energy offers, tariffs and bill calculations presented in this report and associated workbooks should be used as a general guide only and should not be relied upon. The workbooks are not an appropriate substitute for obtaining an offer from an energy retailer. The information presented in this report and the workbooks is not provided as financial advice. While we have taken great care to ensure accuracy of the information provided in this report and the workbooks, they are suitable for use only as a research and advocacy tool. We do not accept any legal responsibility for errors or inaccuracies. The St Vincent de Paul Society and Alviss Consulting Pty Ltd do not accept liability for any action taken based on the information provided in this report or the associated workbooks or for any loss, economic or otherwise, suffered as a result of reliance on the information presented. If you would like to obtain information about energy offers available to you as a customer, go to Australian Energy Regulator's "Energy Made Easy" website or contact the energy retailers directly.

Acknowledgments

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The views expressed in this document do not necessarily reflect the views of Energy Consumers Australia.

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THE SOUTH AUSTRALIAN TARIFF-TRACKING PROJECT

This project has tracked electricity and gas tariffs in South Australia from July 2009 to July 2019, and developed a spreadsheet-based tool that allows consumer advocates to build on the initial analysis and continue to track changes as they occur. The first report for the SA Tariff-Tracking project was published in August 2012 and this up-date report focuses on price changes that have occurred over the last year.

We have developed workbooks that allow the user to enter consumption levels and analyse household bills for regulated/standard gas and electricity offers from July 2009 to July 2019, as well as current published electricity and gas market offers post the price resets in July 2012, 2013, 2014, 2015, 2016, 2017, 2019 and 2019.[1] A more recent addition to the Tariff-Tracking project is market offers available to new solar customers. The workbook allows users to calculate annual bills based on retailers' rates, feed in tariffs offered and additional discounts. Again, the user can enter consumption level as well as choosing to run the bill calculation based on 1.5 kW or 3 kW solar systems.

Workbook 1: Electricity standing offers July 2009-July 2019.
Workbook 2: Gas standing offers July 2009-July 2019.
Workbook 3: Electricity market offers post July 2012-July 2019.[2]
Workbook 4: Gas market offers post July 2012-July 2019.
Workbook 5: Solar market offers post July 2016 and July 2019.

The jurisdictional update reports will be followed by a NEM comparison report that discusses market issues and customer impacts in more detail as well as making recommendations.

All workbooks and reports can be accessed at the St Vincent de Paul Society's website: www.vinnies.org.au/energy

1 All market offers are published offers and do not include special offers that retailers market through door-knocking campaigns or brokers. We use the retailers own websites to collect market offer for the Tariff-Tracking tool.
2 This workbook also contains electricity market offers that took effect upon the deregulation of the retail market in February 2013.

KEY FINDINGS

In October 2018 the Australian Treasurer and the Minister for Energy requested the Australian Energy Regulator (AER) to develop a Default Market Offer (DMO) for each electricity network area in South Australia, NSW and South East Queensland.[3] This request was in response to recommendations outlined in the Australian Competition and Consumer Commission's (ACCC) Retail Electricity Pricing Inquiry. The regulated DMOs took effect on 1 July 2019 and have replaced the retailer determined standing offers previously available in these networks.[4]

In terms of general trends, the South Australian tariff analysis found that:[5]

- AGL's current Default Market Offers (DMO) are approximately 3 - 4% lower than their standing offer rates were last year (July 2018). AGL's current DMO produces annual bills of between $2,745 and $3,050 (depending on meter type) and that is an annual decrease of $80 for single rate and $140 for control load customers with these consumption levels. See chart 1 in section 1 below.
- For gas, standard contract prices have increased by 5%, or $55, compared to last year (July 2018). See chart 2 in section 1.
- Standard contract customers with a typical consumption level (21,000Mj/annum) will have an annual gas bill of approximately $1,125.[6] See chart 3.
- The average annual bill for market offer customers consuming 6,000kWh per annum is currently $2,545. That is $95 less than last year.[7] See section 2.1.
- The difference between the best and the worst market offer is $1,065 per annum.[8] The difference, or the price-spread, is thus greater compared to last year when the range was $840. If we exclude the single worst and the single best market offer, however, the maximum price-spread is reduced to $460. See chart 4 in section 2.1.
- For average consumption households (6,000kWh/annum), the worst electricity standing offer is $530 per annum more than the best published market offer. Households currently on AGL's DMO can save $480 if switching to the best market offer. See chart 5 in section 2.1.
- In regards to households with controlled off-peak load, typical consumption households (7,500kWh per annum) currently on AGL's DMO can save $475 per annum if switching to the best market offer.[9] The difference between the best and the worst market offer is $690 per annum for this meter type. See chart 6 in section 2.1.
- For gas, the average annual bill for households consuming 21,000 Mj per annum is

3 See https://www.aer.gov.au/system/files/Letter%20to%20the%20AER%20Chair%20-%20default%20pricing.pdf
4 The South Australian electricity retail market was deregulated in 2013 and the retailers themselves determined standing offer rates between February 2013 and July 2019.
5 These calculations are based on changes to the DMO/standard contract offer for single rate electricity customers using 6,000kWh per annum, changes to the DMO/standard contract for controlled load electricity customers (typically all-electric households) using 7,500kWh per annum (thereof 20% off-peak) and changes to the standing offer for gas customers using 21,000Mj per annum.
6 Based on average gas standing offer across all retailers.
7 Households using 6,000kWh per annum (single rate) and all market offer bills include additional discounts and/or pay on time discounts.
8 Ibid. The retailer that produces the highest bill is Amber Electric and this bill calculation is based on the rates presented in Amber's Basic Plan Information Document (BPID) which is a document that all retailers are required to publish by the AER. It should be noted, however, that Amber offers wholesale rates (a spot-price passthrough) to its customers and the average wholesale price paid by customers may be lower than the rate used for the BPID.
9 Based on AGL's standard contract offer and the best of the published market offers (including pay on time discounts).

currently $1,095. That is $40 more than last year.[10] See section 2.2.

- The difference between the best and the worst gas market offer is $285 per annum (compared to $130 last year). See chart 7 in section 2.2.
- Typical consumption households (21,000Mj) can save $180 per annum if switching from Origin's standard contract to the best market offer.[11] See chart 8 in section 2.2.
- With the introduction of the DMO we expected to see a reduction to the price-spread as well as a reduction to the significant impact pay on time discounts have had on bills.
    - The analysis presented in section 3 shows that the price-spread between the DMO and the electricity market offer has decreased slightly. For gas, where there are no DMOs, however, the price-spread increased.
    - Since the introduction of the DMO, most electricity retailers have moved away from pay on time discounts to offer guaranteed discount or no discount at all. Consequently, the difference between the average bill paid late versus on time is now very low.
- The daily electricity and gas supply charges vary significantly between retailers as well as retail offers. The lowest market offer supply charge (including pay on time discounts) is approximately $155 per annum less than the highest supply charge for electricity. For gas, the difference is $45 per annum. See charts 12 and 13 in section 4.
- The Network Use of System (NUOS) charges increased in July 2019 and the NUOS charges now account for approximately 37% of the electricity bill for average consumption households. See chart 14 in section 5.
- The average annual bill is approximately $1,290 for households with 3 kW systems and $1,760 for households with 1.5 kW systems installed.[12] This means that the average annual bill is $1,255 less for solar households with 3 kW systems installed compared to non-solar households.
- Compared to last year, the average market offer for solar customers (3 kW systems) has remained unchanged while it has decreased by 2% for solar customers with a 1.5 kW system.[13]

10 Households using 21,000 Mj per annum and all market offer bills include additional discounts and/or pay on time discounts.
11 Based on Origin's standard contract offer and the best of the published market offers (including pay on time discounts).
12 Adelaide households using 6,000kWh per annum (single rate) and all market offer bills include additional discounts and/or pay on time discounts.
13 Ibid.

1. ENERGY PRICE CHANGES FROM JULY 2018 TO JULY 2019

On 1 July 2019, the Australian Energy Regulator's (AER) new Default Market Offer (DMO) took effect in South Australia. The DMOs replace the previously retailer-set standing offers. Importantly, the AER's DMO is expressed as an annual bill for a set consumption level and retailers are still able to "translate the annual amount into different tariff structures".[14] The Regulations stipulate that retailers must structure their prices to not *exceed* the annual DMO price for that consumption level.[15]

The DMO prices for single rate and controlled load tariffs in South Australia as well as AER's estimated median saving for customers on set consumption levels are listed in table 1 below.[16] There are no DMO prices for other tariff types (i.e. Demand tariffs) as the Regulations are designed to apply to the most common tariffs only.[17]

TABLE 1 | Residential DMO prices in South Australia for 2019-2020 (including GST)

SAPN	
SINGLE/FLAT RATE	
Annual bill	$1,941
Median saving[18]	$171
Consumption level	4,000 kWh/annum
CONTROLLED LOAD	
Annual bill	$2,420
Median saving[19]	$219
Consumption level	6,000 kWh/annum

The DMO price is lower the standing offers that the incumbent retailer (AGL) offered in 2018/19. For these consumption levels, AGL's 2018/19 standing offers produced an annual bill of $1,996 for single rate customers and $2,512 for controlled load customers. Households, with these consumption levels, previously on AGL's standing offer will thus save $55 (single rate) or $92 (controlled load) per annum.

As the Tariff-Tracking project aims to monitor and assess changes to energy prices over time, the remaining analysis presented in this report will be based on the consumption levels previous Tariff-Tracking reports have used for South Australia. That is 6,000 kWh per annum for single rate customers and 7,500 kWh per annum for households with controlled load.

AGL's current DMOs are approximately 3 - 4% lower than their standing offer rates were last year (July 2018). AGL's current DMO produces annual bills of between $2,745 and $3,050 (depending on meter type) and that is an annual decrease of $80 for single rate and $140 for control load customers with these consumption levels. Chart 1 and 2 below show annual bills for average consumption households on AGL's standing offer as of July 2018 and July 2019, as well as the average standing offer (across all retailers) in the same years. AGL's standing

14 AER, Default Market Offer Prices 2019-20, Final Determination, April 2019, 9
15 Ibid., 9
16 Ibid., 8
17 Ibid., 22
18 Median saving is the difference between the median standing offer and the DMO price in the SAPN distribution zone, based on the model annual usage.
19 Approximately 30% of the annual consumption is allocated to the controlled load tariff.

offers are currently 1% higher than the average retail standing offer.[20]

CHART 1 | Differences to the annual cost of AGL's DMO/standing contract electricity offers from 2018 to 2019. Based on annual consumption level of 6,000kWh for single rate and 7,500kWh per annum (thereof 20% controlled load), GST inclusive

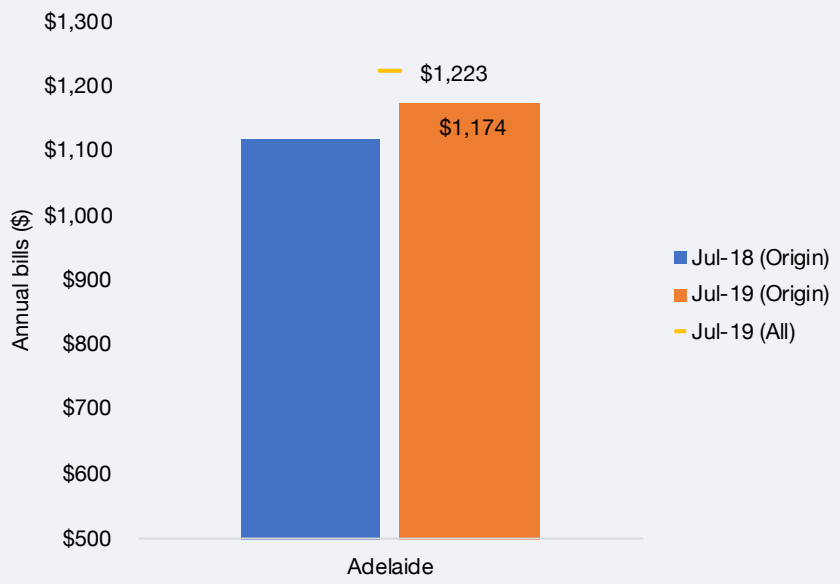
CHART 2 | Differences to the annual cost of the average (all retailers) DMO/standing contract electricity offer from 2018 to 2019. Based on annual consumption level of 6,000kWh for single rate and 7,500kWh per annum (thereof 20% controlled load), GST inclusive

In terms of gas, Origin's standing offer gas bills increased by 5% as of July 2019. Households on Origin's standing offer with typical gas consumption will pay $55 more per annum compared to last year. Chart 3 below shows Origin Energy's annual bills for the average consumption household on the gas standing offer as of July 2018 and July 2019, as well as the average standing offer (across all retailers) in July 2019. Origin's standing offer is currently

20 As South Australia deregulated the retail market in February 2013 and AGL was required to offer a transitional standing offer for two years post deregulation, the majority of South Australian households currently on an electricity standing offer are therefore AGL customers. As of Quarter 3 in 2018/19, around 85% of all standard contract electricity customers in South Australia were AGL customers. See AER data for Retail Market Performance Guidelines, Quarter 3, 2018-19, Types of contracts, Indicators s2.1 s2.2 s2.6.

$50 (4%) less than the annual bill based on the average market offer (all retailers).

CHART 3 | Differences to the annual cost of gas Standing offers/Standard contracts from July 2018 to July 2019, 21,000Mj per annum, GST inclusive



2. MARKET OFFERS POST JULY 2019

2.1 Electricity market offers post July 2019[21]

- The difference between the worst standing offer and the best market offer is $530 per annum (households using 6,000kWh).[22]
- Customers on AGL's standard electricity contract can save $480 if switching to the best market offer.[23]
- The average annual bill for households consuming 6,000kWh per annum is currently $2,545. That is $95 less than it was last year.[24]
- The difference between the best and the worst market offer is $1,065 per annum.[25] The difference, or the price-spread, is thus greater compared to last year when the range was $840.
- If we exclude the single worst and the single best market offer, however, the maximum price-spread is reduced to $460. Chart 4 below shows the retail market offer price-spread for electricity retail offers.

CHART 4 | Price-spread for eighteen electricity market offers post July 2019 (incl GST), including discounts and pay on time discounts - Households consuming 6,000kWh per annum (single rate)

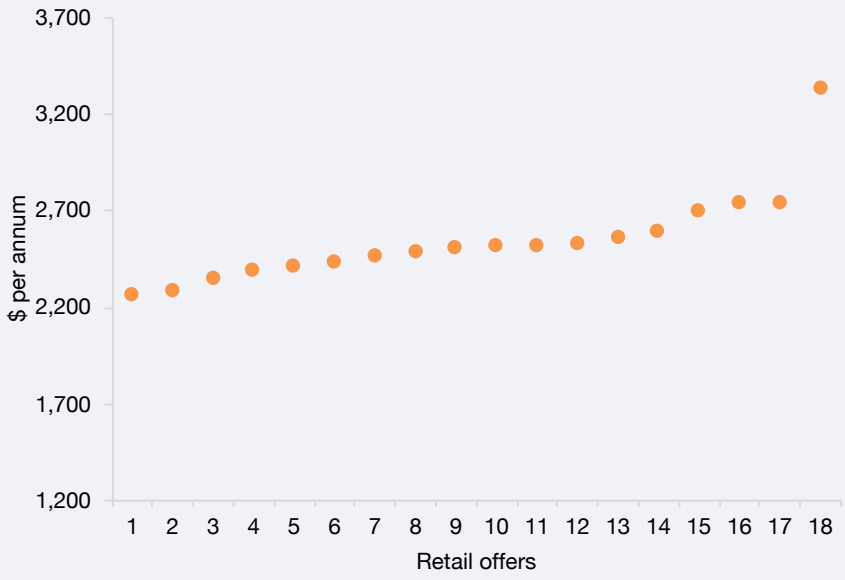


Table 2 below shows additional discounts applicable to the electricity retailers' published market offer rates. We note that there are fewer conditional pay on time discounts being offered compared to previous years and that the discounts offered are typically lower.

21 These market offers were collected from the retailers' websites between the 1st and the 8th of July 2019 and it should be noted that retailers may change their rates at any time.
22 Based on the worst standing offer (single rate) and the best of the published market offers (*including* additional discounts and/or pay on time discounts).
23 Based on AGL's standing offer (single rate) and the best of the published market offers (*including* additional discounts and/or pay on time discounts).
24 Households using 6,000kWh per annum (single rate) and all market offer bills include additional discounts and/or pay on time discounts.
25 Ibid. The retailer that produces the highest bill is Amber Electric and this bill calculation is based on the rates presented in Amber's Basic Plan Information Document (BPID). It should be noted, however, that Amber offers wholesale rates (a spot-price passthrough) to its customers and the average wholesale price paid by customers may be lower than the rate used for the BPID.

Table 2 also shows other contract terms and features, such as early termination fees, associated with these market offers. Some of the retailers have multiple market offers and may offer higher (or lower) discounts than those listed here. However, if the discounts are higher, they are tied to other conditions such as payment by direct debit.

In previous years all retailers have applied discounts to supply and/or usage charges excluding GST. This year, however, Origin clearly states that their discounts are applied to amounts including GST. Red Energy and Powershop's statements are somewhat ambiguous, but we have interpreted these to mean that they also apply discounts to GST inclusive amounts. All other retailers apply discounts to amounts exclusive of GST. There are also a couple of retailers (e.g. Energy Locals and Powerclub) that have offers that include a membership fee. When analysis offers that include a membership fee, we have added this amount to the fixed supply charge.

TABLE 2 | Published electricity market offers taking effect after July 2019: Key additional features and contract conditions

Retail product	Guaranteed discounts	Contract term/ benefit period	ETF*	LPF*	Pay on time discounts	Offer took effect
AGL Smart Saver	8% off bill	1 year	No	$12.75	No	1/7/19
Origin Flexi	12% off bill	1 year	No	$12	No	1/7/19
Energy Australia Total Plan	6% off bill	1 year	No	$11	No	1/7/19
Simply Plus	No	No	No	No	No	1/7/19
Alinta No Fuss	No	No	No	No	No	1/7/19
Click Banksia	No	No	No	$12	No	1/7/19
Energy Locals Simple Saver	No	No	No	$16	No	1/7/19
Lumo Basic	No	No	No	No	No	1/7/19
Powerdirect Discount Saver	12% off bill	2 years	No	$12.75	No	1/7/19
Red Energy No Exit Fee Saver	No	No	No	No	10% off bill	1/7/19
Dodo Market offer	No	No	No	No	No	1/7/19
Momentum Smile Power Flexi	No	No	No	No	No	1/7/19
Commander Market offer	No	No	No	No	No	1/7/19
Diamond Pay on time	No	No	No	$15	7% off bill	1/7/18
Amaysim Electricity as you go	No	No	No	$12	No	1/7/19
Powershop Shopper with Mega Pack	No	No	No	No	15% off bill	1/7/19
Powerclub Powerbank Home	No	No	No	No	No	30/6/19
Amber Electric Market offer	No	No	No	$13	No	23/10/19

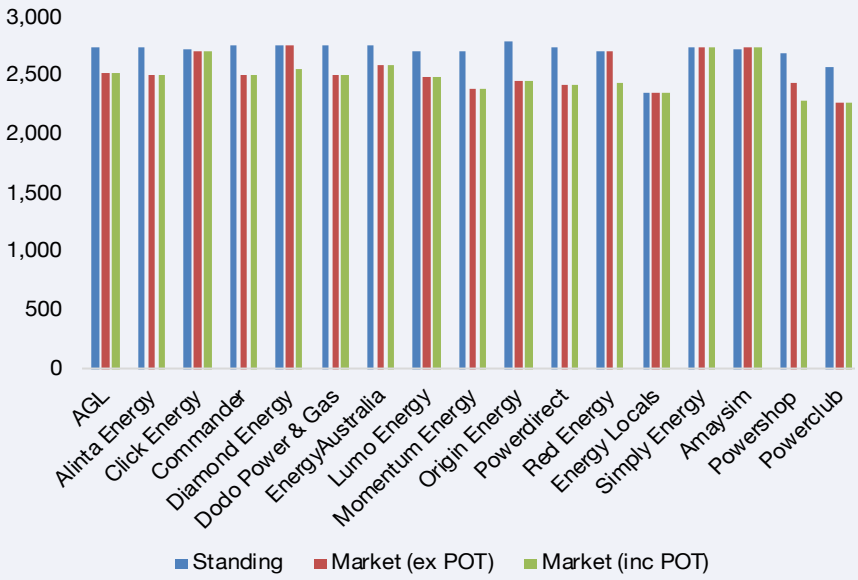
** ETF = Early Termination Fee and LPF = Late Payment Fee*
Note that it is often unclear whether retailers actually apply a LPF as information on the retailers' website may be different to their Price and Product Information Statements

2.1.1 Potential savings - Differences between electricity offers

Households currently on AGL's standing offer can save $480 if switching to the best market offer.[26] Chart 5 below shows annual retail bills for typical consumption households. The blue columns to the left represent the standing offer bill, the red columns are the market offers including guaranteed discounts (but not pay on time discounts) while the green columns are market offer bills including pay on time discounts.[27]

26 Based on market offer bills that include discounts and pay on time discounts.
27 These market offers were collected between the 1st and the 8th of July 2019 and it should be noted that retailers may change their rates at any time. Discounts have been applied to consumption and/or total bill as per offers listed in table 2.

CHART 5 | Estimated annual bills (incl GST) for standing and market offers post July 2019, including discounts and pay on time discounts - Households consuming 6,000kWh per annum (single rate)[28]



The difference between the best and the worst market offer is significant. Powerclub's offer is approximately $1,065 less than Amber Electric's market offer post discounts (and pay on time discounts) for households with this consumption level. Figure 1 below shows estimated annual bills for market offers post discounts as well as how they ranked compared to other retailers.

FIGURE 1 | Lowest to highest annual bills (incl GST) for market offers post July 2019, including discounts and pay on time discounts - Households consuming 6,000kWh per annum (single rate)[29]

1	Powerclub	$2,269	9	Commander	$2,513
2	Powershop	$2,286	10	Dodo Power & Gas	$2,513
3	Energy Locals	$2,346	11	AGL	$2,527
4	Momentum Energy	$2,387	12	Diamond Energy	$2,557
5	Powerdirect	$2,417	13	Energy Australia	$2,589
6	Red Energy	$2,438	14	Click Energy	$2,700
7	Origin Energy	$2,463	15	Simply Energy	$2,736
8	Lumo Energy	$2,492	16	Amaysim	$2,746
9	Alinta Energy	$2,504	17	Amber Electric	$3,332

28 Only retailers that have published DMOs (or standing offers) as well as market offers have been included in this chart. Amber Electric has not published a DMO.

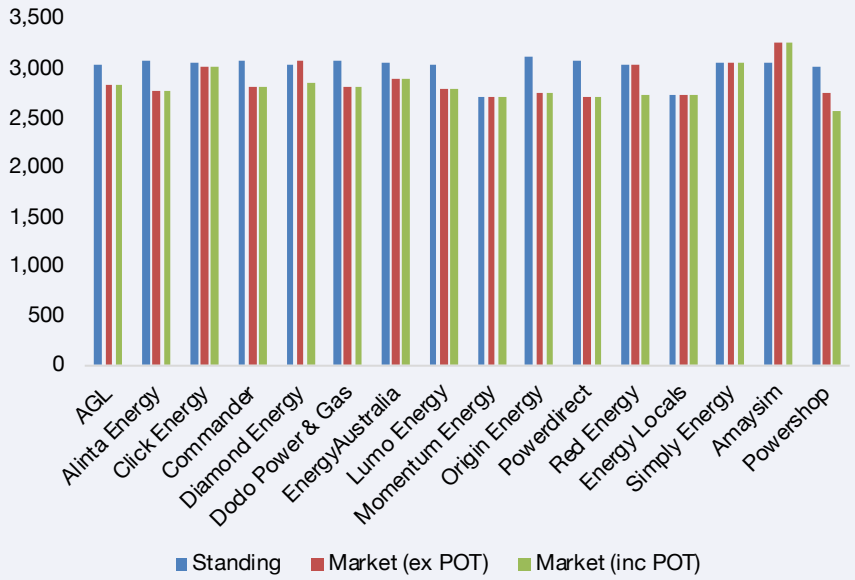
29 These market offers were collected between the 1st and the 8th of July 2019 and it should be noted that retailers may change their rates at any time. Additional discounts for customers choosing to pay by direct debit are not included in these bill calculations. The retailer that produces the highest bill is Amber Electric and this bill calculation is based on the rates presented in Amber's Basic Plan Information Document (BPID). It should be noted, however, that Amber offers wholesale rates (a spot-price passthrough) to its customers and the average wholesale price paid by customers may be lower than the rate used for the BPID.

Chart 6 below shows a similar trend for households with controlled load (using 7,500kWh per annum and thereof 20% controlled load).

The difference between the worst standing offer and the best market offer is $550 per annum (for households with controlled off-peak load using 7,500kWh per annum).[30] Households currently on AGL's standing offer can save $475 if switching to the best market offer.
The difference between the best and the worst market offer is approximately $690 and Powershop's offer produces the lowest bill while Amaysim's rates produces the highest bill for households with controlled off-peak load.

The blue columns to the left represent the standing offer bill, the red columns are the market offers including guaranteed discounts (but not pay on time discounts) while the green columns are market offer bills including pay on time discounts.[31]

CHART 6 | Estimated annual bills (incl GST) for standing and market offers post July 2019, including discounts and pay on time discounts - Households consuming 7,500kWh per annum (20% controlled off peak)[32]



2.2 Gas market offers post July 2019[33]

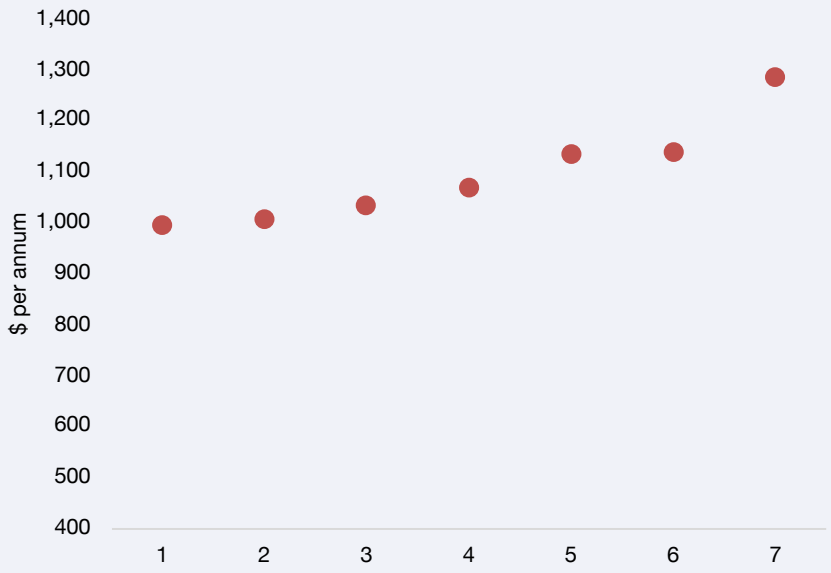
There are very few gas market offers in South Australia and the only area where there is more than one market offer is greater Adelaide (households in the other areas only have access to Origin's market offer). As such, the below analysis only comprises standard contracts vs. market offers in the greater Adelaide area.

- The average annual bill for households consuming 21,000 Mj per annum is currently $1,095. That is $40 more than it was last year.[34]

30 Based on market offer bills that include discounts and pay on time discounts.
31 These market offers were collected between the 1st and the 8th of July 2019 and it should be noted that retailers may change their rates at any time. Discounts have been applied to consumption and/or total bill as per offers listed in table 3.
32 Only retailers that have published DMOs (or standing offers) as well as market offers have been included in this chart. Amber Electric and Powerclub have not published DMOs for controlled load offers.
33 These market offers were collected between the 1st and the 8th of July 2019 and it should be noted that retailers may change their rates at any time.
34 Households using 21,000 Mj per annum and all market offer bills include additional discounts and/or pay on time discounts.

- The difference between the best and the worst gas market offer is $285 per annum (compared to $130 last year). See chart 7 below.
- Typical consumption households (21,000 Mj) can save $180 per annum if switching from Origin's standing offer to the best market offer.[35] See chart 8 below.

CHART 7 | Price-spread for seven gas market offers post July 2019 (incl GST), including discounts and pay on time discounts - Households consuming 21,000Mj per annum.



The discounts (including pay on time discounts) used to estimate the annual bills are shown in table 3 below. Table 3 also shows other contract terms and features, such as early termination fees, associated with these market offers.

TABLE 3 | Published gas market offers in the Adelaide gas zone post July 2019: Key additional features and contract conditions

Retail product	Guaranteed discounts	Contract term/ benefit period	ETF*	LPF*	Pay on time discounts	Offer took effect
Origin Flexi	9% off bill	1 year	No	$12	No	1/7/19
AGL Smart Saver	3% off bill	1 year	No	$12.75	No	1/7/19
Energy Australia Total Plan	15% off bill	1 year	No	$11	No	1/7/19
Simply Plus*	No	No	No	No	No	1/7/19
Alinta No Fuss	No	No	No	No	No	1/7/19
Red Easy Saver	No	No	No	No	10% off bill	30/6/19
Lumo Basic	No	No	No	No	No	23/10/19

ETF = Early Termination Fee and LPF = Late Payment Fee
** Gas offers only available in conjunction with electricity (dual fuel offers).*
Note that it is often unclear whether retailers actually apply a LPF as information on the retailers' website may be different to their Price and Product Information Statements

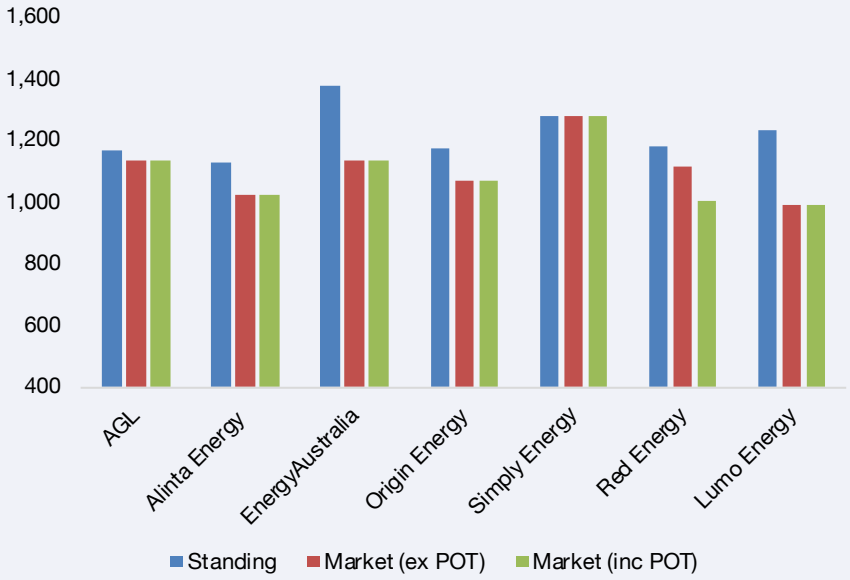
2.2.1 Potential savings - Differences between gas offers

Chart 8 below shows annual retail bills for typical consumption (21,000Mj per annum). The blue columns to the left represent the standing offer bill, the red columns are the market offers including guaranteed discounts (but not pay on time discounts) while the green columns

35 Based on the regulated offer and the best of the published market offers (including pay on time discounts).

are market offer bills including pay on time discounts.[36] It shows that typical consumption households (21,000Mj per annum) on the worst standing offer can save $385 per annum if switching to the best published market offer.[37] Households currently on Origin's standing offer can save $180 if switching to the best market offer. Lumo is currently the retailer with the best gas market.

CHART 8 | Estimated annual bills (incl GST) for standing and market offers post July 2019, including discounts and pay on time discounts - Households consuming 21,000 Mj per annum (single rate)



The difference between the best and the worst stand-alone gas market offers is also significant. Lumo's offer is approximately $285 less than Simply Energy's market offer (post discounts) for households with this consumption level. Figure 2 below shows estimated annual bills for gas market offers post discounts ranked from the lowest annual bill to the highest.

FIGURE 2 | Lowest to highest annual bills (incl GST) for gas market offers post July 2019, including discounts and pay on time discounts - Households consuming 21,000Mj per annum[38]

Lumo Energy	$996
Red Energy	$1,006
Alinta Energy	$1,028
Origin Energy	$1,069
AGL	$1,136
Energy Australia	$1,139
Simply Energy	$1,281

36 These market offers were collected between the 1st and the 8th of July 2019 and it should be noted that retailers may change their rates at any time. Discounts have been applied to consumption and/or total bill as per offers listed in table 3.
37 Based on market offer bills that include discounts and pay on time discounts.
38 These bill estimates are based on rates published on the retailers' websites between the 1st and the 8th of July 2019 and it must be noted that retailers may change their rates at any time. Additional discounts for customers choosing to pay by direct debit are not included in these bill calculations.

3. RETAIL MARKET DEVELOPMENTS

Previous update-reports on the South Australian Tariff-Tracker have highlighted two ongoing issues energy retail market:[39]

1. The price difference (the price-spread) between standing offers (now DMO for electricity) and market offers
2. The difference between paying bills on time and paying bills late

With the introduction of the DMO we expected to see a reduction to the price-spread as well as a reduction to the significant impact pay on time discounts have had on bills. The below analysis shows that the price-spread between the DMO and the electricity market offer has decreased slightly. For gas, where there are no DMOs, however, the price-spread increased.

Since the introduction of the DMO, most electricity retailers have moved away from pay on time discounts to offer guaranteed discount or no discount at all. Consequently, the difference between the average bill paid late versus on time is now very low.

Table 4 below compares the retailers' market offers as of July 2018 to market offers post the introduction of the DMO in July 2019.[40] It shows a marked decline in the use of pay on time (POT) discounts and that bills (inclusive of discounts) still have reduced significantly in some instances. Only one retailer, Simply Energy, has a significant bill increase.[41]

TABLE 4 | Comparison of electricity market offers before and after the introduction of the DMO

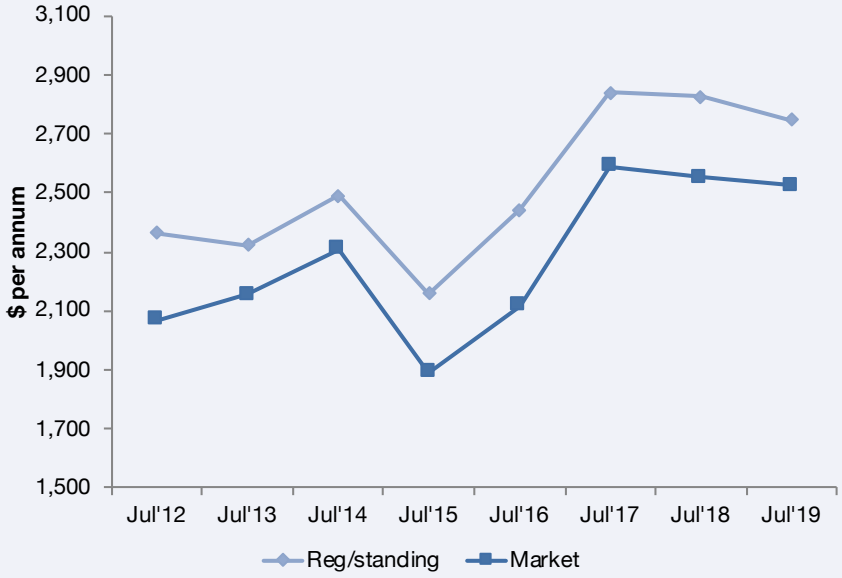
Retailer	July 2018 discount	July 2019 discount	July 2018 bill	July 2019 bill	Difference
AGL	11% POT off usage	8% guaranteed off bill	2,553	2,527	$ (25)
Alinta Energy	25% POT off usage	No	2,439	2,504	$ 65
Click Energy	25% POT off bill	No	2,674	2,700	$ 26
Commander	20% POT off usage	No	2,545	2,513	$ (32)
Diamond Energy	7% POT off bill	7% POT off bill	2,557	2,557	$ -
Dodo Power & Gas	No	No	3,218	2,513	$ (705)
EnergyAustralia	20% guaranteed off usage	6% guaranteed off usage	2,646	2,589	$ (57)
Lumo Energy	15% POT off bill	No	2,497	2,492	$ (5)
Momentum Energy	No	No	2,802	2,387	$ (414)
Origin Energy	10% POT off usage	12% guaranteed off usage	2,538	2,463	$ (75)
Powerdirect	17% POT off usage	12% guaranteed off usage	2,403	2,417	$ 14
Red Energy	10% POT off bill	10% POT off bill	2,588	2,438	$ (150)
Simply Energy	18% POT off usage	No	2,466	2,736	$ 269
Amaysim	9% POT off bill	No	3,245	2,746	$ (499)

39 See St Vincent de Paul Society, *South Australian Energy Prices July 2015*, *An update report on the SA Tariff-Tracking project* by May Mauseth Johnston (August 2015)
40 Note that only retailers that had published market offers both years have been included in this comparison. Also, as most retailers have renamed their market offers since 1 July 2019 (e.g. AGL's offer is now 'Smart Saver' instead of 'Savers', Alinta's offer is 'No Fuss' instead of 'Fair Deal') the comparison is based on the retailers' "best but basic" market offer from each year. By taking a "best but basic" approach we do not include offer features such as direct debit discounts, fixed price products, dual fuel products etc.
41 This bill comparison is based on an annual consumption of 6,000 kWh/annum (single rate) and all bills are inclusive of any guaranteed and/or pay on time discount offered.

3.1 The price-spread

South Australia deregulated electricity retail prices on 1 February 2013 and while a difference between standing offer bills and market offer bills (including discounts) is to be expected, an increase in the difference could mean that the retailers pass through cost reductions as pay on time discounts rather than adjusting their base rates. Chart 9 below shows the difference to annual bills for typical consumption households on AGL's standing offer and market offer (including pay on time discounts) from July 2012 to July 2017.[42] It shows that AGL's market offer (including discounts) was $290 less (or 12%) than the regulated offer in July 2012. After deregulation, the difference (the price-spread) decreased to $170-$180, or 7%, in July 2013 and July 2014. However, it is important to note that AGL was required to offer a transitional rate to standing offer customers for two years after deregulation and that this rate was lower than most market offer rates. The transitional rate ceased existing in February 2015 and as of July 2015 the difference between the standing offer and the market offer is 12%, or $270 per annum. As of July 2016, the difference had increased to 13% or $325 per annum. In 2017 and 2018 the price-spread was around 9-10% and it decreased slightly again this year. The difference between AGL's standing offer and market offer is currently $220 per annum (or 8%).

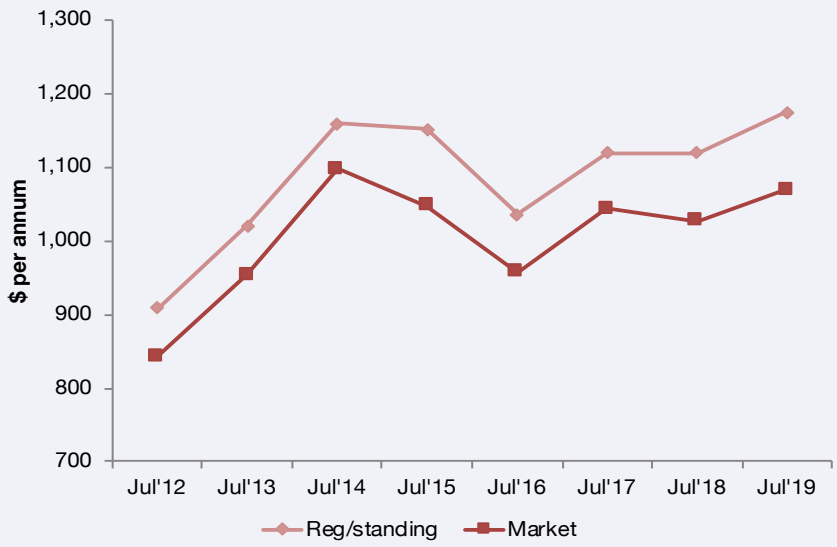
CHART 9 | Electricity: Estimated annual bills for AGL's DMO/standard offer and market offer customers using 6,000 kWh per annum (single rate)



For gas, the difference between the annual bill for customers on Origin's standing offer and Origin's market offer (including discounts and pay on time discounts) increased from approximately $65 in July 2012, 2013 and 2014 to $105, or 9%, in July 2015. In 2016, however, the difference was down to 7.5% or $80. The price-spread continued to decrease in July 2017 (6.7%) before increasing slightly in 2018 and 2019. The difference between Origin's standing offer and market offer is currently $105 per annum (or 8.9%). See chart 10 below.

42 Based on households consuming 6,000 kWh per annum. The July 2012 standing offer is the regulated rate.

CHART 10 | Gas: Estimated annual bills for Origin's standing offer and market offer customers using 21,000 Mj per annum



3.2 Pay on time discounts and late payment fees

We have previously raised our concern regarding the use of late payment fees as well as the significant impact they can have on late paying households' bills when applied in conjunction with a pay on time discount.[43]

After five years with the value of pay on time discounts increasing, it decreased in July 2017 and remained similar in July 2018. With the introduction of the DMO in July 2019, however, only three retailers have pay on time discounts.[44] In July 2012, annual market offer bills were on average 5.5% (or $110) more for late paying customers compared to customers that paid on time. By July 2015 the difference had increased to 13.5% (or $270) and in July 2016 the difference was as high as 16.5% or $350 per annum. In July 2018, the difference was still high, at $340, but the average difference had now dropped to 12.5%. As of July 2019, the difference is approximately $60 or 2.4%.

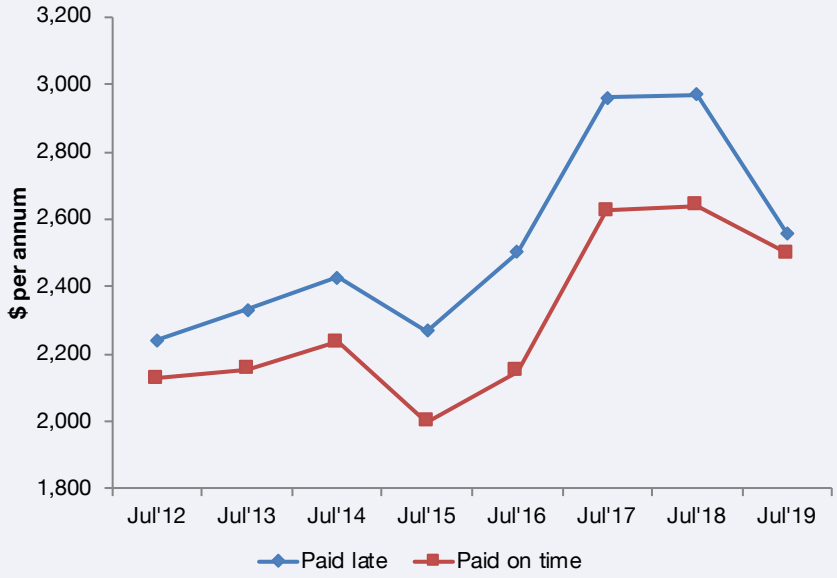
Chart 11 shows the average annual bill for customers that pay on time and customers that pay late from July 2012 to July 2019.[45]

43 See, for example, St Vincent de Paul Society, *South Australian Energy Prices July 2014, An update report on the SA Tariff-Tracking project* by May Mauseth Johnston (August 2014) and *St Vincent de Paul Society, South Australian Energy Prices July 2015, An update report on the SA Tariff-Tracking project* by May Mauseth Johnston (August 2015)

44 These retailers are Red Energy, Diamond and Powershop. Note that Powershop's discount is different as it offers discounts based on customers purchasing discounted rates when promoted.

45 Based on households consuming 6,000 kWh per annum (single rate). Late paying bills do not include pay on time discounts (as per retail offer) and include four late fees (if applied by the retailers).

CHART 11 | Average annual electricity bills for market offer customers that pay late and pay on time, 6,000 kWh per annum (single rate)



4. SUPPLY CHARGES

The supply charge is a fixed daily charge that is paid in addition to the consumption charges for electricity/gas used. High supply charges result in low consumption households paying a proportionally higher cost per unit of energy than high consumption households. This has significant equity implications as some customer classes characterised by low and fixed income also use less electricity than the South Australian average. Pensioners make up one of these lower consumption groups.[46]

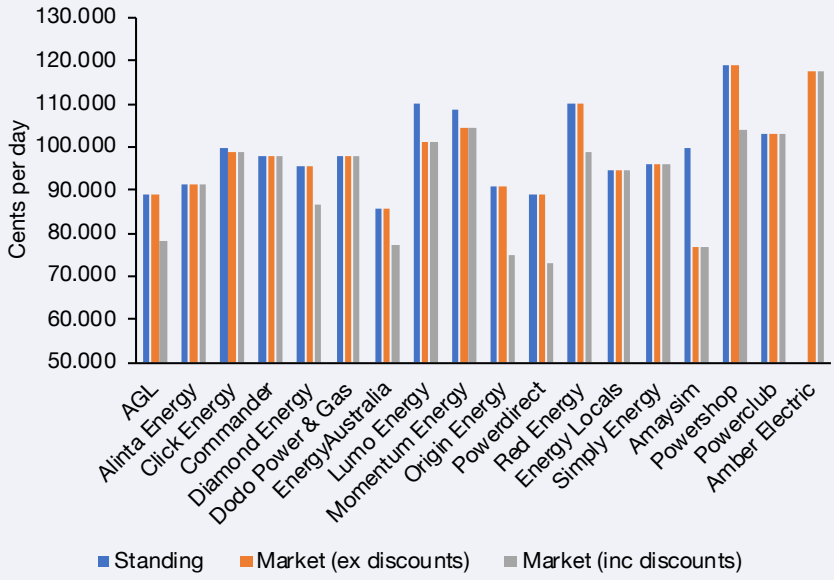
4.1 Electricity supply charges

Consumers shopping around for a better market offer should thus be aware that some retail offers have significantly higher supply charges than other retailers and/or contract types. Chart 12 below shows the daily supply charges (cents per day) for the various offers available post July 2019. The blue columns to the left represent the supply charge for standing offers, the orange columns are the market offers excluding discounts while the yellow columns are market offer bills including discounts.[47] It shows that while many retailers apply the same supply charge to their standing offer and their market offer, four retailers (Click, Lumo, Momentum and Amaysim) apply higher supply charges to their standing offers than they do to market offers. Furthermore, as seven retailers (AGL, Diamond, Energy Australia, Origin, Powerdirect, Red Energy and Powershop) offer discounts that include the supply charge, the supply charge can be significantly lower for market offers compared to standing offers. For market offers, inclusive of discounts, the difference between the highest supply charge (Powershop) and the lowest (Amaysim) is $155 per annum.

46 ABS survey data shows that households with government pensions and allowances as their main source of income have a mean weekly electricity consumption of approximately 122kWh and that households with wages and salaries as their main income source use approximately 20kWh more per week (142kWh/week). See ABS, *4670.0 Household Energy Consumption Survey 2012*, Table 8, September 2013. Furthermore, Victorian consumption surveys have found that concession card holders in general, and households on the aged concession in particular, have lower consumption than the general population. See *Victorian Utility Consumption Household Survey 2007* by Roy Morgan Research for Dept. of Human Services, Final report, April 2008, p 75. The lower consumption levels among aged concession card holders relates to the average size of these households. Pensioners, as a customer group, are on average smaller households (fewer people) compared to the population on a whole and this has an impact on their consumption levels.

47 These market offers were collected between the 1st and the 8th of July 2019 and it should be noted that retailers may change their rates at any time. Discounts have been applied to consumption and/or total bill as per offers listed in table 3.

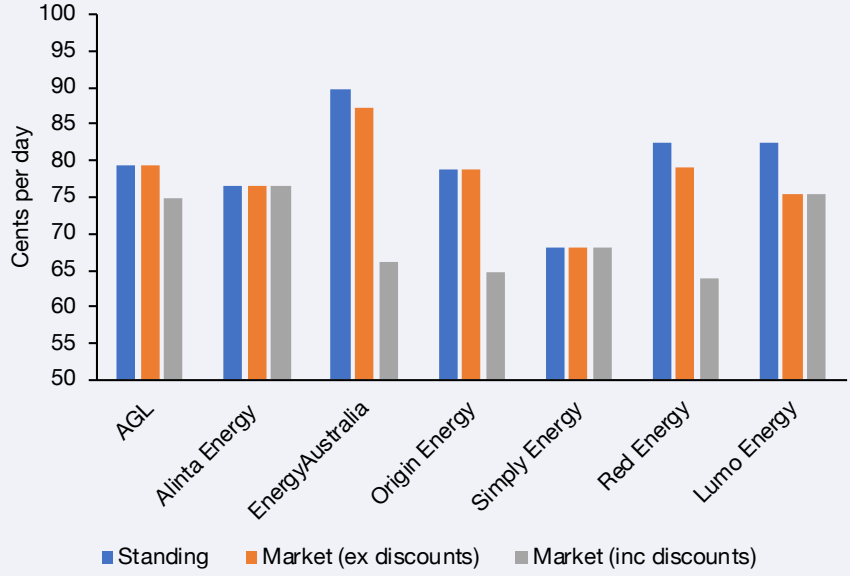
CHART 12 | Daily supply charges for electricity (single rate and controlled load), DMO/standing offers and market offers post July 2019 (incl. GST)[48]



4.2 Gas supply charges

Chart 13 shows that Energy Australia's high standing offer supply charge is 90 cents per day, which means that customers would pay approximately $75 more per annum in fixed supply charge on this offer compared to Simply's standing offer (which is just under 70 cents/day). In terms of market offers, four retailers have discounts that reduce the gas supply charge. The difference between the highest supply charge (Alinta) and the lowest (Red) is approximately $45 per annum.

CHART 13 | Daily supply charges for gas, standing offers and market offers post July 2019 (incl GST)



48 Note that Powerclub has an annual membership fee of $39 that has been added to the supply charge in section 2. In this section it is based on Powerclub's daily supply charge only.

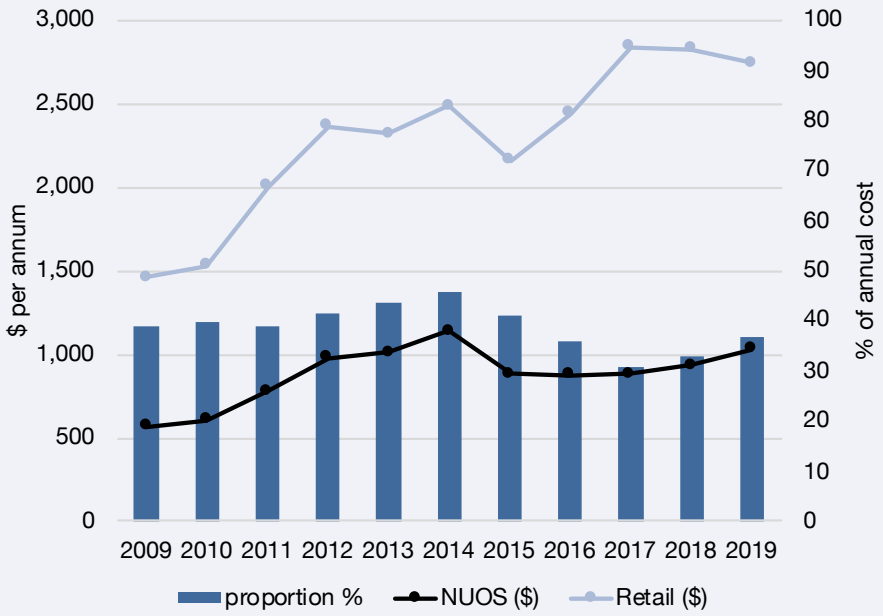
5. NETWORK CHARGES

The South Australian electricity network, SA Power Networks, introduces new Network Use of System (NUOS) charges as of 1 July every year.[49] These NUOS charges are approved by the Australian Energy Regulator (AER) and comprise Transmission Use of System (TUOS) and Distribution Use of System (DUOS) as well as other costs such as jurisdictional charges and metering charges. The retailers can, and generally will, build changes to the NUOS (in relation to both shape and price) into their retail tariffs.

The chart presented in this section shows that NUOS charge increased every year from 2009 to 2014 before significantly reducing in July 2015 and continue to decrease until 2017. It has since increased in 2018 and 2019. The NUOS currently accounts for 37% of an average consumption customer's bill.

Chart 14 shows annual retail bills (solid line), NUOS charges as annual cost (dotted line) and NUOS as proportion of annual bill (columns).

CHART 14 | SA Power Networks: Annual retail bills (incl. GST), NUOS charges (excl. GST) and NUOS as proportion of total bill from 2009 to 2019 (based on the regulated/standing/DMO offer retail tariff, single rate, 6,000 kWh per annum[50]



49 SA Power networks was previously known as ETSA Utilities

50 Based on AGL's regulated/standing offer/DMO rates from 2009 to 2019, presented as annual bills for households using 6,000kWh per annum (single rate). The annual NUOS charges have been calculated by allocating 1,500kWh per quarter (again based on annual consumption of 6,000kWh) to the step charges stipulated in the NUOS. The annual NUOS cost also includes fixed charges.

6. SOLAR OFFERS

There are approximately 245,700 small to medium scale solar systems in South Australia.[51] Many of these households are currently receiving a solar feed in rate (FIT) of 44 cents per exported kWh but as these schemes are closed to new entrants, customers currently looking for solar offers need to assess both the retailers' FIT rates as well as the cost of electricity imported.

This section analyses and compares market offer bills for South Australian customers with 1.5 kW and 3 kW systems installed. As retailers are not required to publish rates for solar products purchased and installed through them, this analysis only examines electricity offers available to customers independently of solar panels and installation.

Methodology and assumptions
To calculate the annual bills for the various solar market offers the following assumptions and methodology have been applied:

- An annual household consumption of 6,000kWh (including both produced and imported).
- For customers with controlled load, 20% of the total consumption has been allocated to the off-peak rate.
- Calculations have been produced for households with 1.5 kW and 3 kW systems only.
- For Adelaide households, an annual generation capacity per kW installed of 1.680 MWh and an export rate of 51.8% for 3 kW systems and 22.1% for 1.5 kW systems.[52]
- For non-metropolitan households, an annual generation capacity per kW installed of 1.875 MWh and an export rate of 56.8% for 3 kW systems and 20.2% for 1.5 kW systems.[53]
- Only FIT rates available to new customers have been included. Retailer funded FIT rates have been applied as per offer (see table 5 below).
- A flat annual consumption has been assumed.
- The annual bills have been based on quarterly bill calculations and all step increases have been applied as quarterly thresholds (including when the retail offer refers to daily or monthly thresholds). Daily fixed charges have been multiplied by 91 to calculate the quarterly amount.

Most retailers offer a similar FIT rate to last year. In July 2016, the average FIT rate (across all retailers) was 7.8 c/kWh, in 2017 it was 13.1 c/kWh and in 2018 it was 14.3 c/kWh. The current average is 13 c/kWh.

51 Clean Energy Council, Clean Energy Australia Report 2019, 62
52 These figures are based on South Australia (outside Adelaide) and were used for the analysis presented in a report for the Alternative Technology Association (ATA) by Alviss Consulting (Alviss Consulting, Retail Offers and Market Transparency for New Solar Customers, June 2013).
53 Ibid.

TABLE 5 | Retailers' FIT rates July 2019

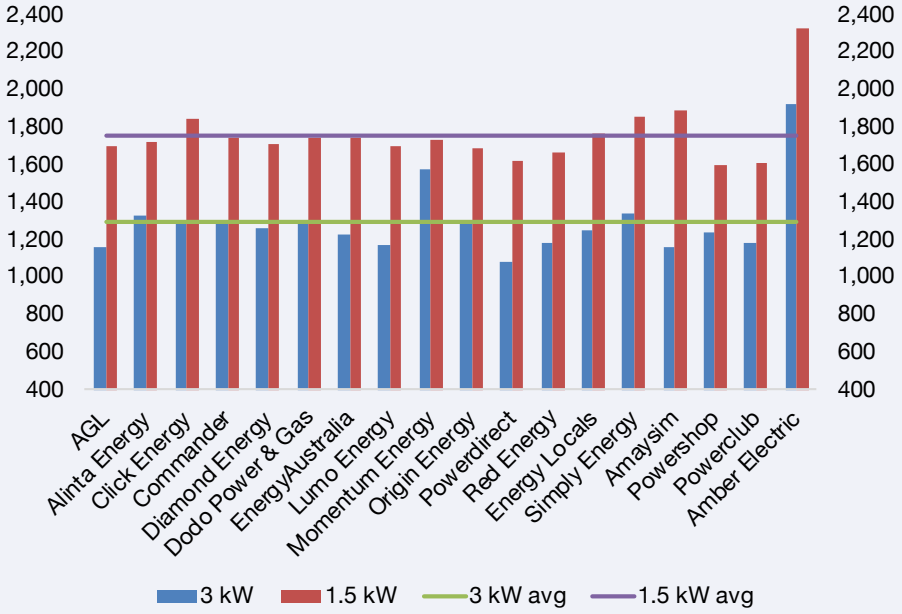
Retailer*	Offer	FIT rate (c/kWh)
AGL	Smart Saver	16.3
Alinta Energy	No fuss	9.5
Click Energy	Banksia Solar	17
Commander	Market offer	11.6
Diamond Energy	Pay on time discount	12
Dodo Power & Gas	Market offer	11.6
EnergyAustralia	Total Plan	15
Lumo Energy	Basic	16
Momentum Energy	SmilePower Flexi	0
Origin Energy	Flexi	10
Powerdirect	Discount Saver	16.3
Red Energy	No exit fee saver	16
Energy Locals	Solar Promise	16
Simply Energy	Plus	15
Amaysim	Solar as you go	22
Powershop	Shopper with Mega Pack	10.2
Powerclub	Powerbank Home Solar	11.5
Amber Electric	Market offer	8

Chart 15 below compares annual retail bills for solar customers in Adelaide with 3 kW and 1.5 kW installed. It shows that Simply and Amber Electric's offers produce annual bills above the average for both 3 kW and 1.5 kW systems. Adelaide solar customers with 3 kW systems (and this consumption level) would be approximately $840 per annum better off on Powerdirect's offer compared to Amber Electric's offer. Customers with a 1.5 kW system installed may save $730 per annum if they switched from Amber Electric to Powershop's offer. As it is Amaysim that offers the highest FIT rate (22 cents), this highlights the importance of solar customers not choosing retail offers based on FIT rates alone.

The average annual bill is approximately $1,290 for households with 3 kW systems and $1,760 for households with 1.5 kW systems installed. This means that the average annual bill is $1,255 less for solar households with 3 kW systems installed compared to non-solar households (see section 2.1 above). Compared to last year, the average market offer for solar customers with a 3 kW system has remained unchanged while it has decreased by 2% for solar customers with a 1.5 kW system.[54]

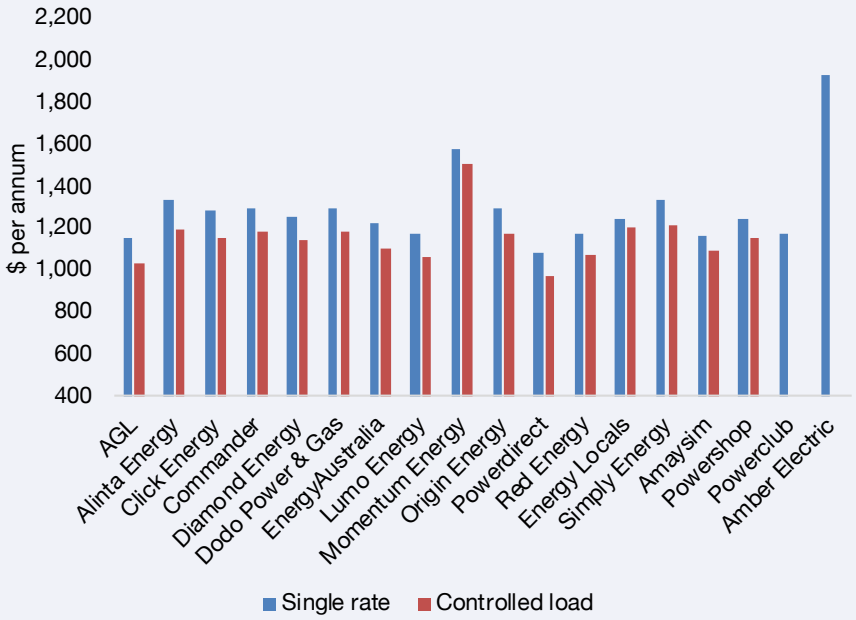
54 The average annual market offer bill for non-solar households, by comparison, has decreased by $95 since last year. See section 2.1. The retailer that produces the highest bill is Amber Electric and this bill calculation is based on the rates presented in Amber's Basic Plan Information Document (BPID). It should be noted, however, that Amber offers wholesale rates (a spot-price passthrough) to its customers and the average wholesale price paid by customers may be lower than the rate used for the BPID.

CHART 15 | Annual bills including discounts and FIT credits for Adelaide customers with 3 kW and 1.5 kW solar systems. Electricity offers post July 2019 as annual bills, Single rate, 6,000kWh (GST inc)[55]



Charts 16 and 17 below show annual bills for Adelaide solar customers on single rate and controlled load offers.

CHART 16 | Annual bills including discounts and FIT credits for Adelaide customers with a 3 kW solar system. Electricity offers post July 2019 as annual bills, single rate and controlled load, 6,000kWh (GST inc)[56]



55 Calculations include discounts off usage or bill as well as pay on time discounts off usage or bill.
56 Ibid.

CHART 17 | Annual bills including discounts and FIT credits for Adelaide customers with a 1.5 kW solar system. Electricity offers post July 2019 as annual bills, single rate and controlled load, 6,000kWh (GST inc)[57]

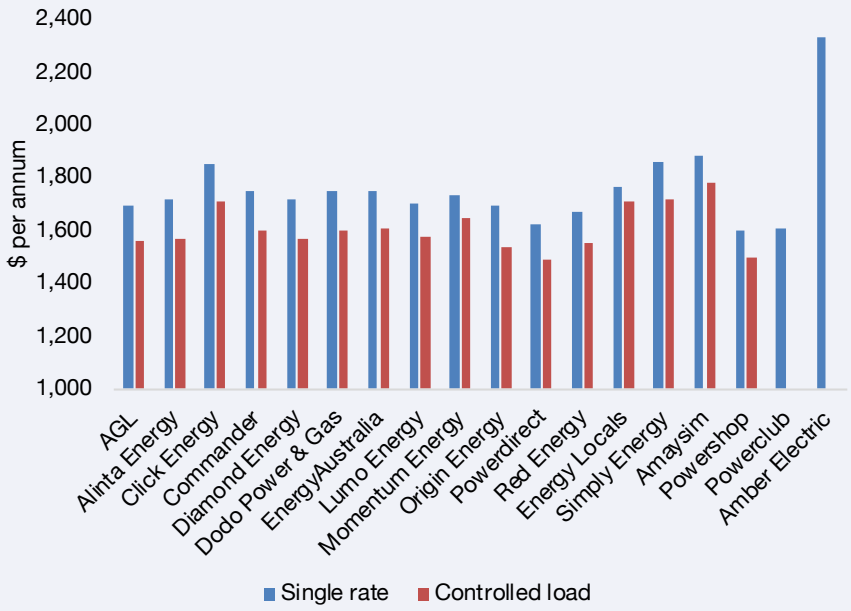


Figure 3 below shows estimated annual bills for solar market offers including FIT and discounts.

FIGURE 3 | Lowest to highest annual bills (incl GST) for solar market offers post July 2019, including discounts and pay on time discounts – Adelaide households with 3kW systems installed and consuming 6,000kWh annum (including both produced and imported), single rate[58]

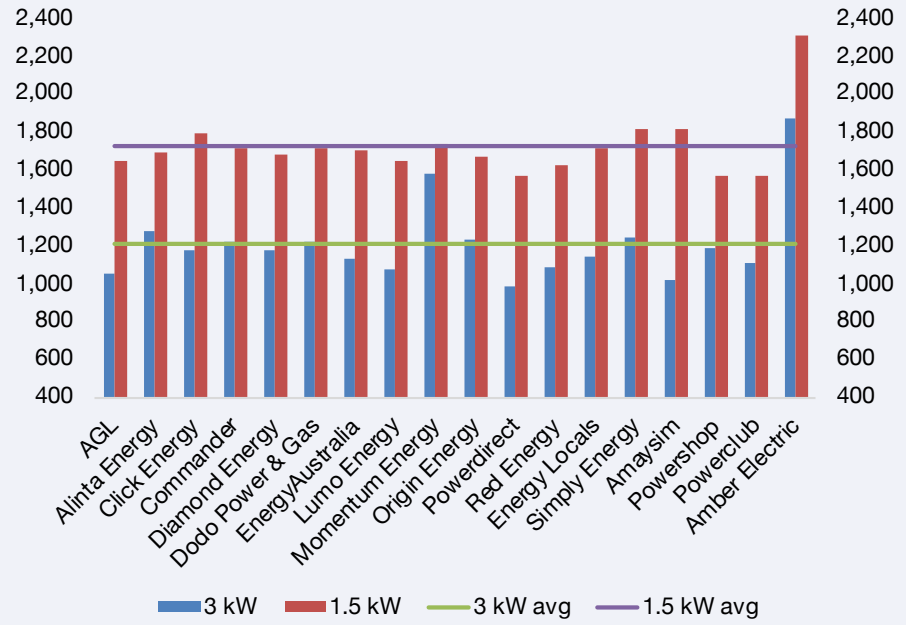
1	Powerdirect	$1,086	11	Diamond Energy	$1,258
2	AGL	$1,157	12	Click Energy	$1,282
3	Amaysim	$1,160	13	Origin Energy	$1,294
4	Lumo Energy	$1,173	14	Commander	$1,295
5	Red Energy	$1,179	15	Dodo Power & Gas	$1,295
6	Powerclub	$1,179	16	Alinta Energy	$1,334
7	Energy Australia	$1,229	17	Simply Energy	$1,339
8	Powershop	$1,243	18	Momentum Energy	$1,575
9	Energy Locals	$1,249	19	Amber Electric	$1,927

57 Ibid.

58 These market offers were collected between the 1st and the 8th of July 2019 and it should be noted that retailers may change their rates at any time. Additional discounts for customers choosing to pay by direct debit are not included in these bill calculations. The retailer that produces the highest bill is Amber Electric and this bill calculation is based on the rates presented in Amber's Basic Plan Information Document (BPID). It should be noted, however, that Amber offers wholesale rates (a spot-price passthrough) to its customers and the average wholesale price paid by customers may be lower than the rate used for the BPID.

Homes outside Adelaide's metropolitan area will typically have less overshadowing and therefore a higher generation capacity and export rate. Chart 18 compares annual retail bills for solar customers outside Adelaide with 3 kW and 1.5 kW installed. It shows that the annual bills for solar customers are somewhat lower in non-metropolitan areas but the same retailers produce higher than average bills and the price-spread is similar to that in metropolitan areas (see chart 15 above).

CHART 18 | Annual bills including discounts and FIT credits for regional and rural customers with 3 kW and 1.5 kW solar systems. Electricity offers post July 2019 as annual bills, single rate, 6,000kWh (GST inc)[59]



59 Calculations include discounts off usage or bill as well as pay on time discounts off usage or bill.