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Queensland Energy Prices

July 2019

An update report on the Queensland 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 AER'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 Queensland Tariff-Tracking Project

This project has tracked electricity and gas tariffs in Queensland 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 Queensland Tariff-Tracking project was published in August 2012 and this is the eighth up-date report focusing 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 gas and electricity offers from July 2009 to July 2016, as well as published electricity and gas market offers post the price resets in July 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019.¹ A 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: Standing/Regulated electricity offers July 2009-July 2019

Workbook 2: Standard gas retail offers July 2009-July 2019²

Workbook 3: Electricity market offers July 2012 - July 2019

Workbook 4: Gas market offers post July 2012 - July 2019

Workbook 5: Solar market offers post July 2016, July 2017, July 2018 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 Queensland Tariff-Tracking tool. If the retailer has more than one market offer we use the offer that produces the lowest annual bill and/or the offer the retailer promotes as it's best offer. Prior to July 2016, the Tariff-Tracking tool does not include any additional discounts or bonuses but key market offer features are listed in the spreadsheets. This report contains analysis of some of those features.

² Note: Queensland does not have regulated gas offers.

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 East Queensland, NSW and South Australia.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.

In terms of general trends, the tariff analysis found that:

- ▲ The DMO price is lower than the standing offers that the incumbent retailers (AGL and Origin Energy) offered in 2018/19.⁴ See charts 1 and 2 in section 1 below.
- ▲ Annual electricity bills for all-electric households on AGL and Origin's standing offers (tariff 11) have typically decreased by around \$180 (or 7%) since July 2018.⁵ See chart 3 below.
- ▲ For customers on the Time of Use tariff (tariff 12), the annual bill has typically decreased by \$185 (or 7%) since July 2018.⁶ See chart 3 below.
- ▲ Gas bills have moderately increased in all areas since July 2018.⁷ See chart 4, 5 and 6 below.
- ▲ The average annual electricity bill (all retailers) for households using 8,000 kWh per annum is currently around \$2,420 for standing offer customers and \$2,230 for market offer customers (including pay on time discounts). See chart 7 in section 2.1.
- ▲ Compared to last year (July 2018), the average electricity market offer (inclusive of pay on time discounts) has decreased by \$100 or 4%. See section 2.1.
- ▲ A household switching from Origin or AGL's standing offer (Tariff 11) to the best electricity market offer may save around \$420 - \$450 per annum. See section 2.1.
- ▲ The difference between market offers is also significant. The difference between the best and the worst market offers is between \$945 and \$1,045 (depending on tariff type) for customers that always pay bills on time.⁸ Powerclub, ReAmped Energy and Alinta Energy are the retailers that currently have the best market offers for single rate customers (Tariff 11).⁹ See charts 8-11 in section 2.1.
- ▲ As most retailers offer pay on time discounts, and many charge late payment fees, paying late can significantly erode savings available from switching to a better market offer. Customers on Powershop's offer, for example, may pay \$360 more per annum if they do not pay their bills by the due date.¹⁰ See section 2.1.

3 See <https://www.aer.gov.au/system/files/Letter%20to%20the%20AER%20Chair%20-%20default%20pricing.pdf>

4 Based on the incumbent retailers' standing offers as of July 2018 and the DMO for each network area. This bill comparison is based on the consumption levels used for setting the DMO price.

5 These calculations are based AGL and Origin's standing offers for households using 8,000kWh per annum.

6 These calculations are based AGL and Origin's standing offers for households using 8,000kWh per annum and 20% peak/55% shoulder/25% off-peak.

7 These calculations are based the average standard gas offer for households using 10,000MJ per annum.

8 These calculations are based the market offers for households using 8,000kWh per annum. Thereof 15% off-peak for customers on tariff 31 or 33 and 20% peak/55% shoulder/25% off-peak for tariff 12.

9 These calculations are based the market offers for households using 8,000kWh per annum

10 Note that Powershop's discount is not a traditional pay on time discount but customers are required to purchase special offers in advance, by a set date, in order to qualify for the discounts. Powershop currently offers a 15% discount. Based on households using 8,000 kWh per annum.

- ▲ The average gas market offer (inclusive of pay on time discounts) has increased by \$10 since July 2018.¹¹ See Section 2.2.
- ▲ Nearly all retailers that changed their market offers post July 2019 (when the DMO took effect) reduced their base rates. In terms of bills inclusive of pay on time discounts, however, the bill reduction for some retailers is much lower when additional discounts are taken into account. Furthermore, three retailers (AGL, Energy Australia and Powerdirect) have offers that produce higher annual bills post July 2019, when discounts are included. Last year AGL, Energy Australia and Powerdirect offered pay on time discounts of between 24 and 28% while they now offer guaranteed discounts of between 6 and 11%. This means that while base rates have mostly decreased, some customers that have been receiving high discounts in return for paying their bills on time, may experience a bill increase post July 2019. See section 3.
- ▲ Many electricity retailers apply the same fixed supply charge to their standing offer as they do to their market offer while some retailers (Click Energy, Energy Locals, Red Energy, 1st Energy and ReAmped Energy) apply higher fixed charges to their standing offers. Diamond Energy, Powerdirect and Powershop, on the other hand, apply lower fixed charges to their market offer. See chart 20 in section 4.
- ▲ The average residential gas consumption in Queensland is relatively low and as such the supply charges comprise a significant proportion of the annual gas bill.¹² For households consuming 10,000MJ per annum in the APT gas zone, the supply charge makes up 52-56% of the annual bill, depending on the retailer. In the Envestra/AGN zone (Brisbane North), the supply charge makes up 35% of the annual bill (for the same consumption level). See section 4.
- ▲ The Network Use of System (NUOS) charge has been in decline since July 2014 and it only had a slight increase in July 2019. However, as the overall retail bill has decreased this year, the NUOS proportion of bills has increased in comparison to July 2018. The NUOS proportion of bills is currently 35%.¹³ See chart 21 in section 5.
- ▲ Most retailers have not changed their Feed-in-Tariff (FIT) rate since July 2018. Others, like AGL, Click Energy, Origin Energy, Powerdirect and Simply Energy have lowered their FIT rates in comparison to last year. Diamond Energy, Energy Locals and Red Energy, on the other hand, have increased their FIT rates. See section 6.
- ▲ Compared to last year, the average market offer for solar customers (3 kW systems) has decreased by \$60 or approximately -4.2%.¹⁴ See section 6.
- ▲ The average annual bill is approximately \$1,360 for households with 3 kW systems installed. This means that the average annual bill is \$870 less for solar households compared to non-solar households. See section 6.
- ▲ The comparison of market offers available to new solar customers shows that there are significant differences between the bills the retailers' offers produce. Brisbane solar customers with a typical consumption and a 3 kW system installed, may save \$690 per annum if switching from the worst market offer (DC Power Co) to the best (Energy Australia).¹⁵ See figure 4 in section 6.

¹¹ Based on households using 10,000MJ per annum.

¹² We have assumed typical residential annual gas consumption in Queensland to be 10,000MJ per annum while in Victoria, for example, we base it on 63,000MJ.

¹³ Based on AGL and Origin's standing offers (average) as of July 2019. Presented as annual bills for households using 8,000kWh per annum (flat rate).

¹⁴ Based on electricity offers post July 2019 as annual bills, Tariff 11, 8,000kWh, bills including discounts and FIT credits for Brisbane customers with 3 kW solar systems.

¹⁵ 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 QLD. 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”.¹⁶ The Regulations stipulate that retailers must structure their prices to not exceed the annual DMO price for that consumption level.¹⁷

The DMO prices for single rate and controlled load tariffs in Queensland, as well as AER’s estimated median saving for customers on set consumption levels, are listed in Table 1 below.¹⁸ There are no DMO prices for other tariff types (i.e. Time of Use, Demand tariffs) as the Regulations are designed to apply to the most common tariffs only.¹⁹

TABLE 1 | Residential DMO prices in QLD for 2019-20 (including GST)

Energex	
SINGLE / FLAT RATE	
Annual bill	\$1,570
Median saving*	\$118
Consumption level	4,600 kWh/annum
CONTROLLED LOAD^	
Annual bill	\$1,927
Median saving*	\$169
Consumption level	6,300 kWh/annum

**Median saving is the difference between the median standing offer and the DMO price in that distribution zone, based on the model annual usage.*

^Approximately 30% of the annual consumption is allocated to the controlled load tariff.

The DMO price is lower than the standing offers that the incumbent retailers (AGL and Origin Energy) offered in 2018/19. Charts 1 and 2 below show changes to annual bills from July 2018 to July 2019 for households on the incumbent retailers standing offers (single rate and controlled load) in the Energex network. These bill calculations are based on the consumption levels used by the AER to set the DMO (see Table 1 above).

Chart 1 shows that the DMO produces an annual bill that is approximately \$110 less (-7%) than the average standing offer for 2018/19.²⁰

16 AER, Default Market Offer Prices 2019-20, Final Determination, April 2019, 9

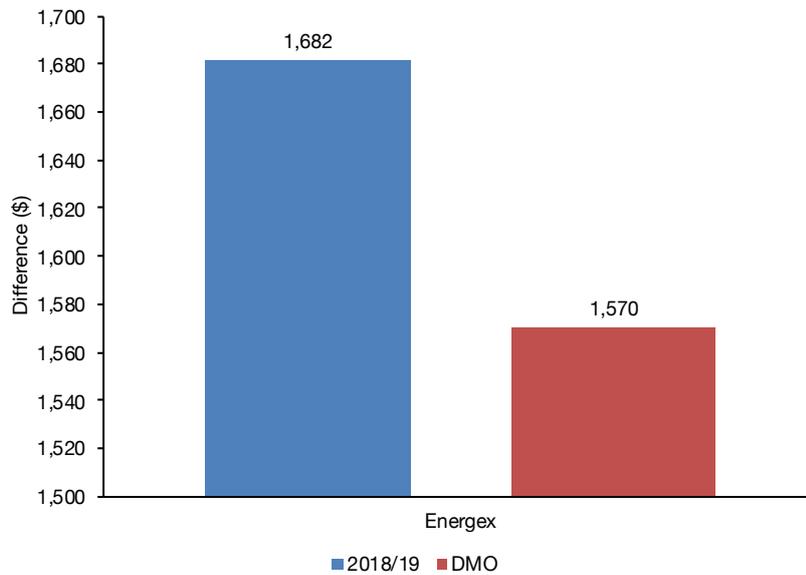
17 Ibid., 9

18 Ibid., 8

19 Ibid., 22

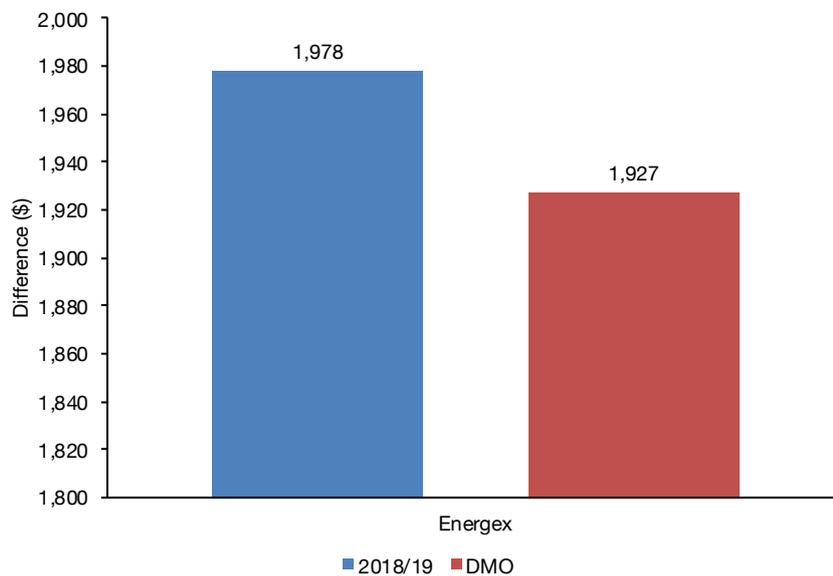
20 Based on AGL and Origin Energy’s standing offer.

CHART 1 | Changes to the annual electricity bill from July 2018 to July 2019, incumbent retailers' standing offer in July 2018 and AER's DMO in July 2019. Single rate, incl. GST and based on 4,600kWh in Energex.



For controlled load tariffs, Chart 2 shows that the DMO in Energex produces an annual bill that is approximately \$50 less (-2.6%) than of the average standing offer for 2018/19.²¹

CHART 2 | Changes to the annual electricity bill from July 2018 to July 2019, incumbent retailers' standing offer in July 2018 and AER's DMO in July 2019. Controlled load, incl. GST and based on 6,300kWh per annum in Energex



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 Queensland. That is 8,000 kWh per annum for electricity customers and 10,000 MJ per annum for households with gas.

Chart 3 shows changes to the host retailers' annual bills from July 2018 to July 2019 for average consumption households (single rate) in the Energex network. It shows that the average annual bill has decreased for all four tariff types. For Tariff 11, the average annual bill

²¹ Based on tariff 31.

has decreased by approximately \$180 (-7%). The trends are similar for Tariff 31, Tariff 33 and Tariff 12, where bills have decreased by around \$150 for Tariff 31 and by \$185 for both Tariff 33 and Tariff 12. Table 2 below shows the decreases to annual bills by tariff type.

CHART 3 | Changes to annual electricity bills from July 2018 to July 2019, 8,000kWh per annum, GST inclusive²²

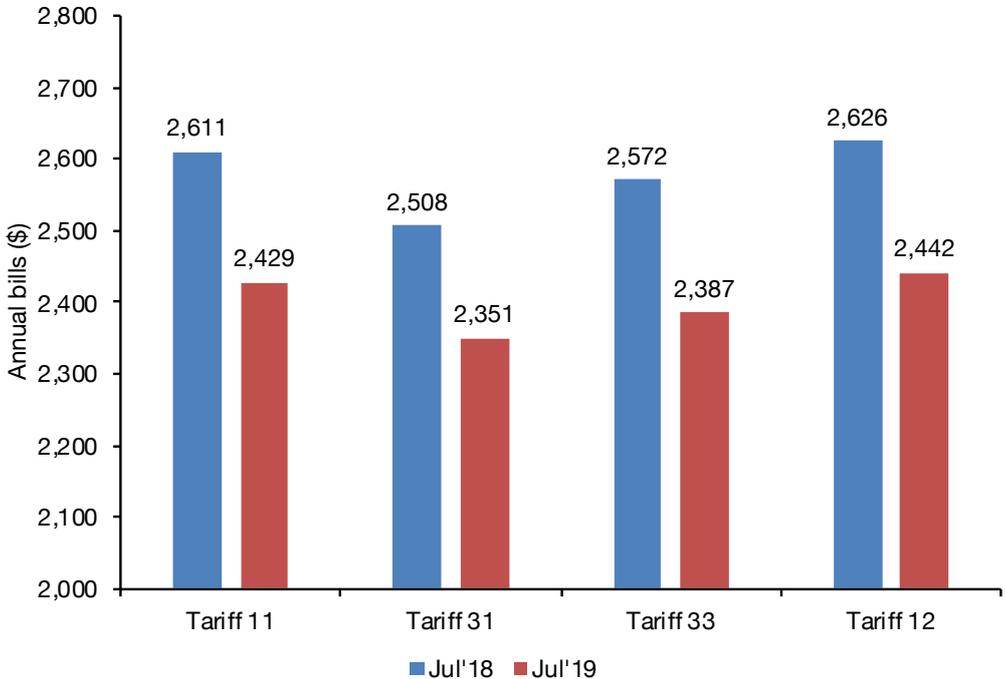


TABLE 2 | Decreases to annual bills for electricity by tariff type July 2018 – July 2019²³

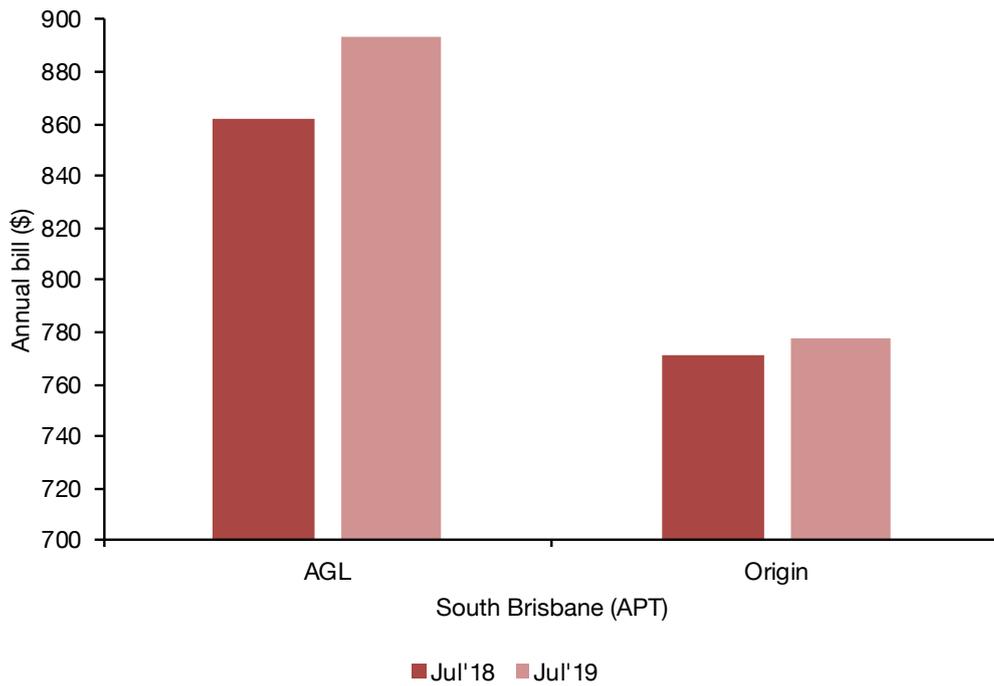
	Tariff 11	Tariff 31	Tariff 33	Tariff 12
\$ Decrease	-\$182	-\$158	-\$185	-\$185
% Decrease	-7%	-6%	-7%	-7%

Gas bills have increased across all gas pricing zones between July 2018 and July 2019. Origin continues to offer the lowest gas bill in both Brisbane North and Brisbane South.

In South Brisbane, AGL’s annual bill has increased by around \$30 (4%) while Origin’s bill has increased by almost \$10 (1%).

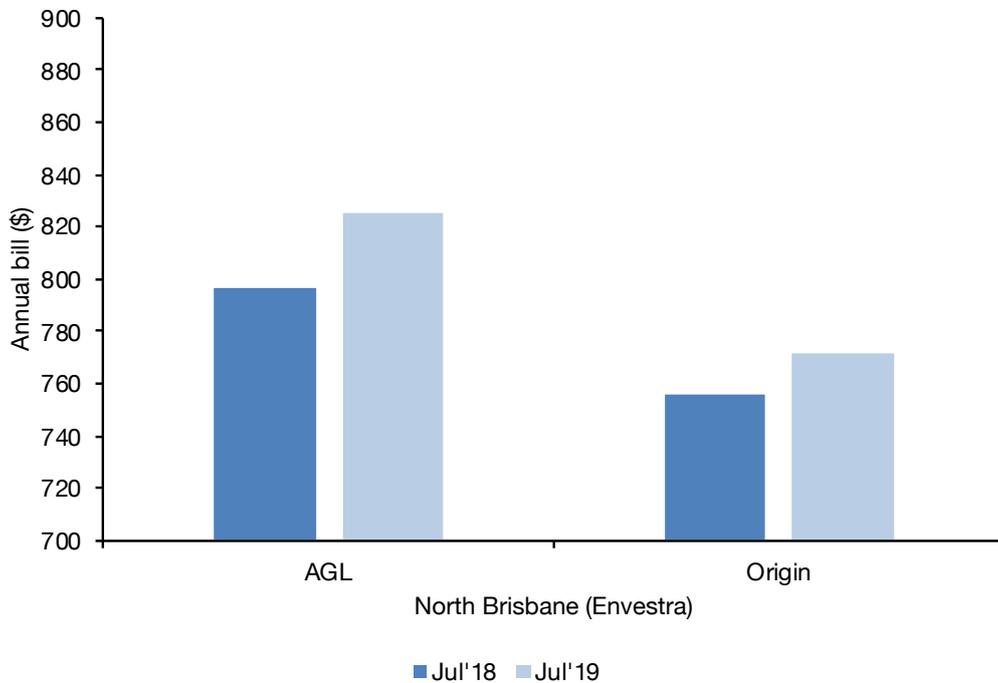
²² Based Origin and AGL’s standing offers. For Tariff 31 and 33, 15% of consumption has been allocated to off-peak rates. For Tariff 12, the allocations are: 20% peak, 55% shoulder and 25% off-peak.
²³ Ibid.

CHART 4 | Annual gas bills from July 2018 to July 2019, 10,000MJ - South Brisbane & South Queensland²⁴



For North Brisbane, gas bills have gone up by around \$30 (4%) for AGL and \$15 (2%) for Origin.

CHART 5 | Annual gas bills from July 2018 to July 2019, 10,000MJ - North Brisbane & Ipswich²⁵

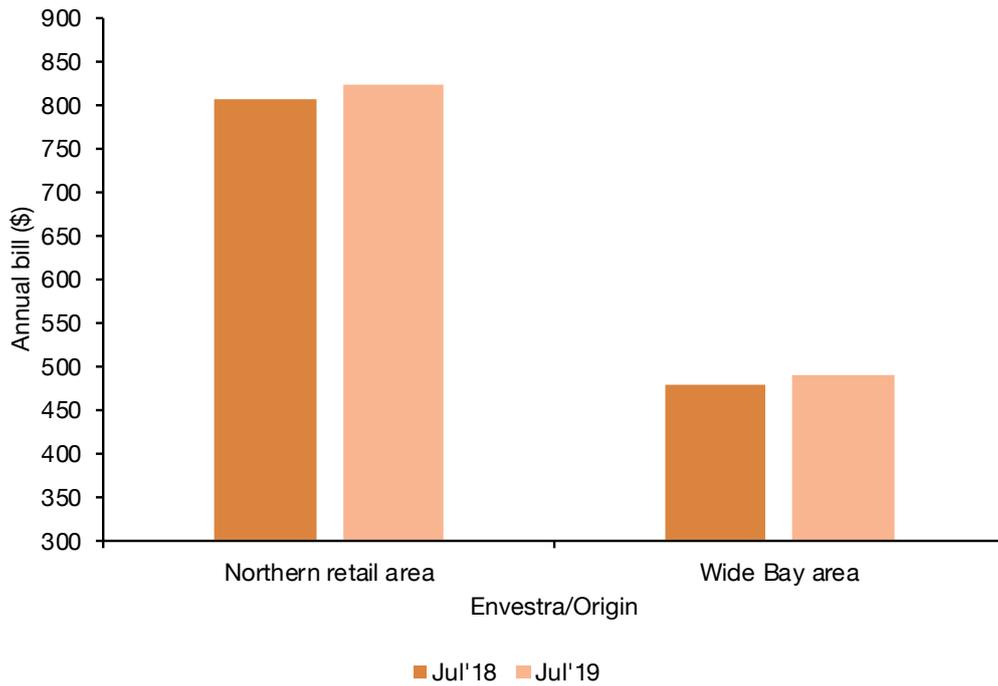


For the other Envestra/AGN pricing zones, annual bills have increased by approximately \$15 (2%) for the Northern retail area and by \$10 (2%) for the Wide Bay area.

²⁴ AGL and Origin's standard rates and customers using 10,000MJ per annum.

²⁵ Ibid.

CHART 6 | Annual gas bills as of July 2018 and July 2019, 10,000MJ – Origin’s rates in the Northern retail area and Wide Bay²⁶



As mentioned above, there are no DMO prices for less common meter/tariff types such as time of use tariffs (TOU). Chart 7 below compares Energy Australia’s electricity standing offers/ DMOs for single rate and TOU tariffs as of July 2018 and July 2019 in the Energex network. It shows that the annual bill for the single rate (where the DMO applies) has notably decreased while the annual bill for the TOU (where there is no DMO) has remained the same.

²⁶ The Northern retail area covers Rockhampton and Gladstone and the Wide Bay area covers Bundaberg, Maryborough and Hervey Bay. Origin is the only retailer with offers for residential customers in these areas. Bill estimates based on customers using 10,000MJ per annum.

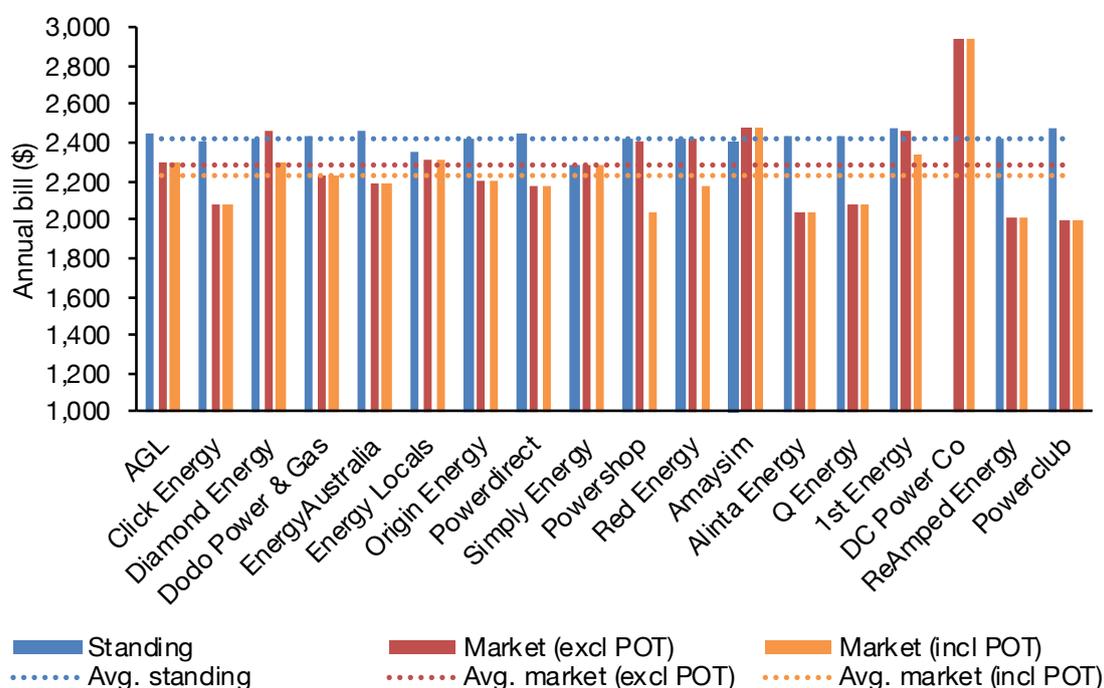
2. MARKET OFFERS POST JULY 2019

2.1 Electricity market offers post July 2019

Chart 7 below shows that the average annual bill for households using 8,000kWh per annum is \$2,420 for standing offer customers and \$2,230 for market offer customers (including pay on time discounts). Furthermore, it shows that a couple of retailers apply the same rates to their standing offers and their market offers but offer pay on time (POT) discounts for market offer customers. Since the introduction of the DMO, however, some retailers have moved away from pay on time discounts to offer guaranteed discounts or no discount at all.

Compared to last year (July 2018), the average market offer (inclusive of pay on time discounts) has decreased by almost \$100 or around -4%.

CHART 7 | Electricity offers as annual bills, July 2019, Single rate (tariff 11) 8,000kWh per annum, GST inclusive²⁷



Market offers often include features such as discounts on consumption rates, vouchers, sign-up credits, loyalty bonuses and discounts if bills are paid on time or paid by direct debit. Consumers assessing market offers should take these additional features into account and be aware of contract conditions such as late payment fees, the length of the contract and fees for exiting the contract early.

Charts 8-11 below show the difference in annual bills between retailers' standing offers and market offers based on guaranteed discounts (if any), as well as market offers including pay on time discounts (if any) for tariff 11, 31, 33 and 12. Tariff 11 customers on AGL and Origin's standing offers can save around \$450 and \$420 respectively by switching to the best market

²⁷ The retail offers were collected from the retailers' websites between the 1st of July and the 1th of August 2019 and it must be noted that retailers may change their rates at any time. Annual bill calculations shown as green columns include guaranteed discounts and pay on time discounts. Note that DC Power Co does not have a published standing offer and that Mojo Power has not been included in this year's analysis as they had removed the market offers from their website when we last checked on 1 August 2019.

offer (Powerclub).²⁸ If the same standing offer customers switched to DC Power Co²⁹, however, they would be \$500 and \$525 worse off respectively.

The maximum difference, or price spread, between annual bills for market offers (including pay on time discounts) is \$945 for tariff 11, \$1,000 for tariff 31, \$945 for tariff 33, and \$1,045 for tariff 12.

CHART 8 | Tariff 11: Annual bills based on guaranteed discounts vs. pay on time discounts as of July 2019 (8,000kWh per annum, including GST).³⁰

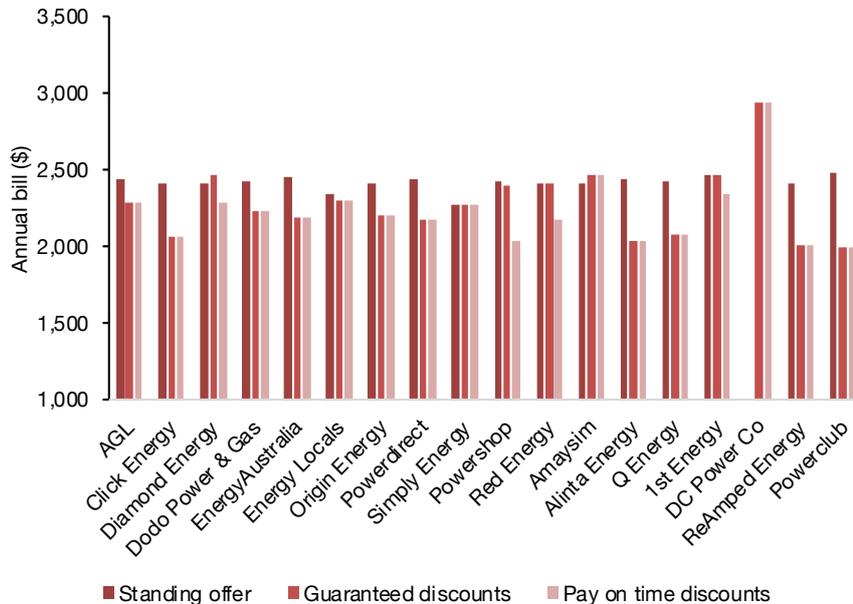
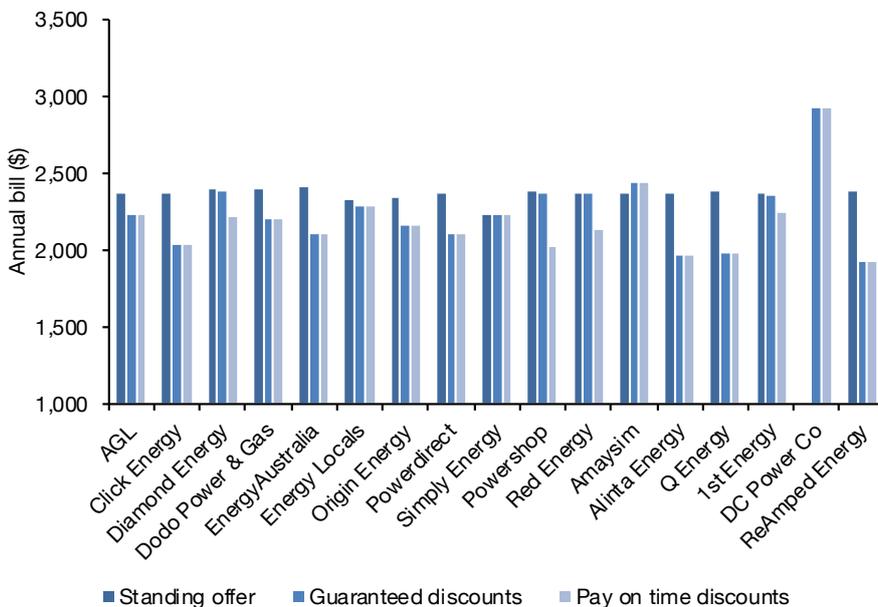


CHART 9 | Tariff 31: Annual bills based on guaranteed discounts vs. pay on time discounts as of July 2019 (8,000kWh per annum, 15% off-peak, including GST).³¹



28 Note that Powerclub is a retailer that offers customers access to wholesale energy prices and customers must make a minimum one-off, refundable (at its value at time of exit) contribution to their “Powerbank” of \$40 per 1,000kWh of annual consumption.

29 Note that DC Power Co predominantly market itself as a retailer for households with rooftop solar due to their service which is designed for households to get the most value out of their solar system.

30 Note that DC Power Co does not have a published standing offer.

31 Ibid.

CHART 10 | Tariff 33: Annual bills based on guaranteed discounts vs. pay on time discounts as of July 2019 (8,000kWh per annum, 15% off-peak, including GST).³²

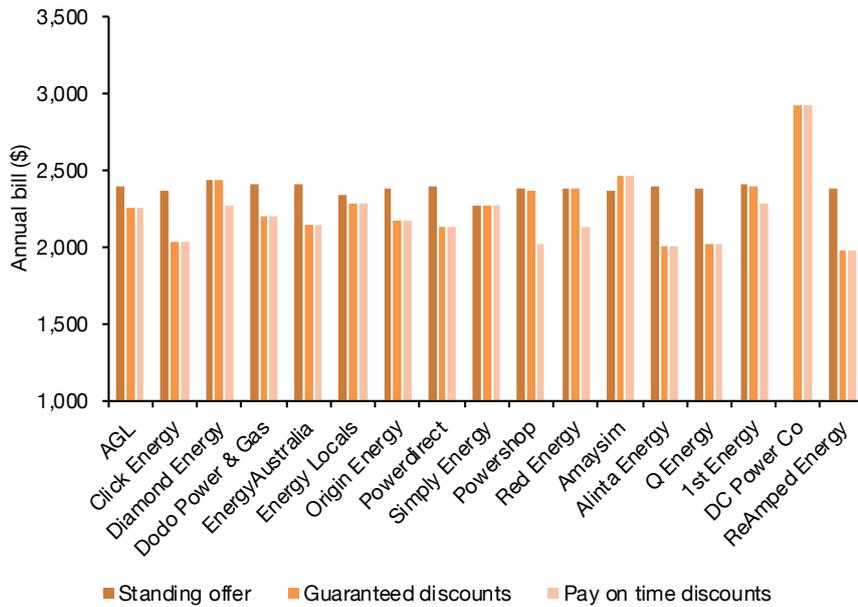


CHART 11 | Tariff 12: Annual bills based on guaranteed discounts vs. pay on time discounts as of July 2019 (8,000kWh per annum, 20% peak, 55% shoulder and 25% off-peak, including GST).³³

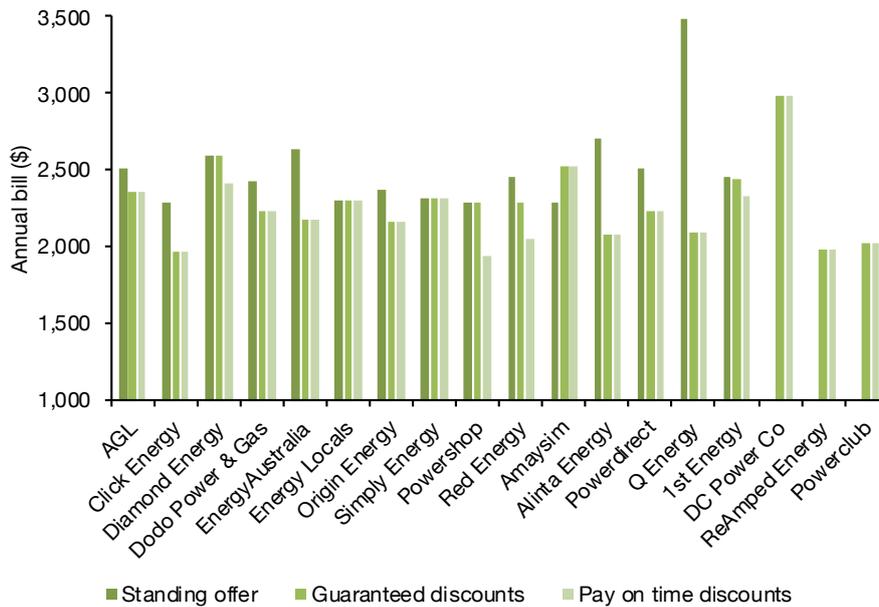


Figure 1 below shows estimated annual bills for market offers post discounts ranked from the lowest annual bill to the highest (for Tariff 11).³⁴

³² Ibid.

³³ Note that DC Power Co, ReAmped Energy and Powerclub did not have published standing offers.

³⁴ These bill estimates are based on rates published on the retailers' websites between the 1st of July and the 1th of August 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.

FIGURE 1 | Lowest to highest annual bills (incl GST) for market offers post July 2019, including discounts and pay on time discounts - Households consuming 8,000kWh per annum (Tariff 11)

	Powerclub	\$1,997		Origin Energy	\$2,199
	ReAmped Energy	\$2,011		Dodo Power & Gas	\$2,230
	Alinta Energy	\$2,036		Simply Energy	\$2,280
	Powershop	\$2,043		AGL	\$2,295
	Click Energy	\$2,073		Diamond Energy	\$2,295
	Q Energy	\$2,078		Energy Locals	\$2,308
	Powerdirect	\$2,173		1st Energy	\$2,341
	Red Energy	\$2,178		Amaysim	\$2,471
	Energy Australia	\$2,191		DC Power Co	\$2,942

The discounts (including pay on time discounts) used to estimate annual bills for Charts 8-11, as well as Figure 1, above 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. Some of the retailers have multiple market offers and may offer higher discounts than those listed here. However, if discounts are higher they are typically tied to other conditions such as payment by direct debit, e-billing or dual fuel contracts.

TABLE 3 | Published electricity market offers, effective as of July 2019: Key additional features and contract conditions

	Guaranteed discounts	Contract term/ fixed benefit period	ETF*	LPF*	Pay on time discounts	Offer took effect
AGL Smart Saver	6% of bill	No	No	\$12.73	No	3/7/19
Click Energy Banksia	No	No	No	\$12	No	4/7/19
Diamond Energy Pay on time discount	No	No	No	No	7% off bill	1/8/18
Dodo Power & Gas Market offer	No	No	No	No	No**	1/7/19
Energy Australia Total Plan Home	11% off bill	No	No	\$12	No	11/7/19
Energy Locals Simple Saver	No	No	No	\$16	No	3/7/19
Origin Energy Flexi	9% off bill	No	No	\$12	No	2/7/19
Powerdirect Discount Saver	No	No	No	\$12.73	11% off usage	3/7/19
Simply Energy Plus	No	No	No	No	No	1/7/19
Powershop Shopper with Mega Pack	No	No	No	No	15% off bill^	1/7/19

	Guaranteed discounts	Contract term/ fixed benefit period	ETF*	LPF*	Pay on time discounts	Offer took effect
Red Energy Easy Saver	No	No	No	No	10% off bill	1/7/19
Amaysim Electricity as you go	No	No	No	\$12	No	4/7/19
Alinta Energy No fuss	No	No	No	No	No	1/7/19
Q Energy Flexi Saver Home	No	2 years	No	No	No	27/3/19
1st Energy 1 st Saver	No	No	No	No	5% off bill	1/7/19
DC Power Co Market offer	No	No	No	No	No	1/7/19
ReAmped Energy Market offer	No	No	No	\$12	No	4/3/19
Powerclub Powerbank Home	No	No	No	No	No	30/6/19

* ETF = Early Termination Fee and LPF = Late Payment Fee

^ To qualify for Pay on Time discount, customers must purchase 3 months' worth of power in advance.

As some retailers apply the same rates as the regulated rates to their market offer and then offer discounts, it is important that customers are aware that these discounts can be conditional upon bills being paid on time. Pay on time discounts, combined with late payment fees on market offers, means that Queensland households can be significantly penalised for late payment.³⁵ Or conversely, Queensland households can be significantly rewarded for prompt payment. It does, however, highlight an issue that negatively impacts on households with cash-flow problems. Since the introduction of the DMO, however, many electricity retailers have moved away from pay on time discounts to offer guaranteed discount or no discount at all.

Table 4 below shows that paying late can become very expensive on some market offers. Households on the Powershop market offer, for example, would be approximately \$360 worse off if they pay late compared to paying on time. Red Energy customers would be \$242 worse off if they pay their bills after the due date. As most retailers bill customers quarterly, these numbers are based on four late payment fees (where applicable) per annum. Click Energy, Amaysim and ReAmped Energy, however, issue monthly bills for these offers and customers can therefore be charged up to \$144 per annum in late payment fees alone.³⁶

TABLE 4 | Electricity offers as of July 2019: Difference (\$) in annual bill between paying all bills on time vs. paying all bills late (based on 8,000kWh and 4 bills per annum)

	Tariff 11 (\$)
Powershop	361
Red Energy	242
Diamond Energy	173
1st Energy	123
Energy Locals	64
AGL	51
Powerdirect	51

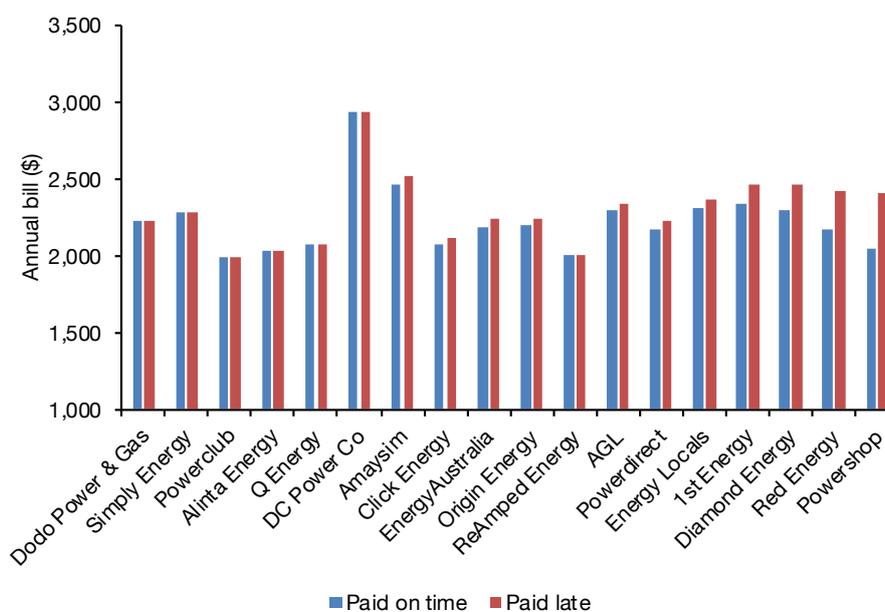
³⁵ The Queensland Electricity Industry Code (clause 4.13.5) does not permit retailers to apply late payment fees to the regulated offer unless the fee is “expressly provided for in the notified prices”.

³⁶ Click Energy, Amaysim and ReAmped Energy’s late payment fees are \$12.

Tariff 11 (\$)	
Click Energy	48
EnergyAustralia	48
Origin Energy	48
ReAmped Energy	48
Amaysim	48
Dodo Power & Gas	0
Simply Energy	0
Alinta Energy	0
Q Energy	0
DC Power Co	0

Chart 12 below shows the estimated annual electricity bill (tariff 11) for customers that always pay on time and for those who always pay late.

CHART 12 | Tariff 11: Estimated annual bill for customers that pay on time vs. pay late, electricity offers as of July 2019, 8,000kWh per annum (GST inc).



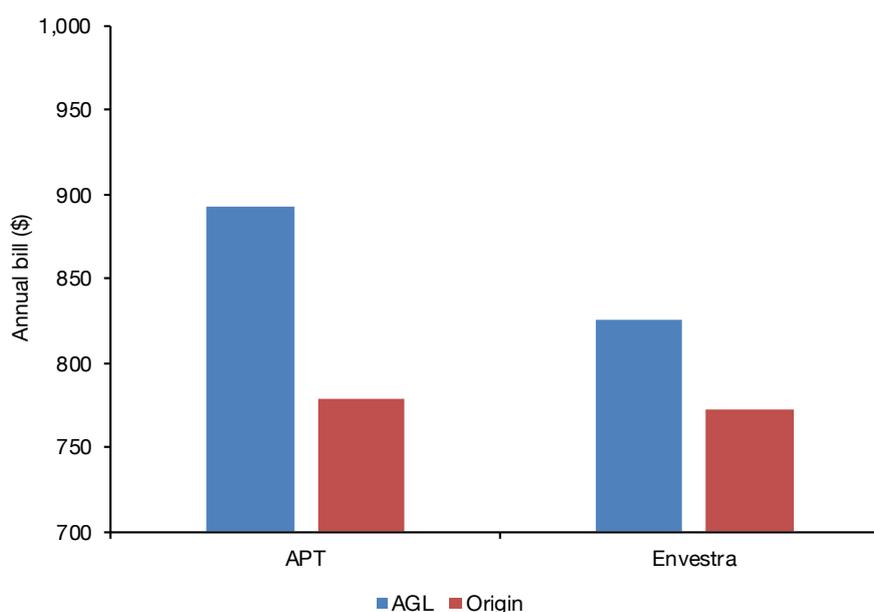
2.2 Gas market offers post July 2019

There are no regulated gas offers in Queensland and currently only Origin and AGL have gas market offers for residential consumers. As only North Brisbane (including Ipswich) and South Brisbane (including Gold Coast, Toowoomba, Oakey) have more than one market offer, this analysis only comprises market offers in these two areas.³⁷ Chart 13 below shows that there is a relatively small (\$55) difference between AGL and Origin’s market offer rates (prior to additional discounts) in the Envestra/AGN zone (Brisbane North). In the APT zone (Brisbane South) Origin’s market offer produces an annual bill that is approximately \$115 less than AGL for households with this consumption level. The average market offer (exclusive of discounts) has increased by \$20 since July 2018.³⁸

³⁷ Gas customers in Rockhampton, Gladstone, Bundaberg, Maryborough and Hervey Bay only have access to Origin’s market offers.

³⁸ Average market offer bill based on Origin and AGL’s offers in the APT and Envestra/AGN gas zones.

CHART 13 | Gas market offer rates as annual bills (excluding discounts), Post July 2019 (10,000MJ per annum)



The calculations for the market offers in Chart 13 include their rates only (cost per MJ and fixed charges) and do not include other market offer features such as discounts on consumption rates, vouchers, sign-up credits, loyalty bonuses and discounts if bills are paid on time. Consumers assessing market offers should take these additional features into account and be aware of contract conditions such as late payment fees, the length of the contract and fees for exiting the contract early.

TABLE 5 | Published gas market offers in the APT and Envestra/AGN gas zones as of July 2019: Key features and contract conditions

	Guaranteed discounts	Contract term/ fixed benefit period	ETF*	LPF*	Pay on time discounts	Offer took effect
AGL Smart Saver	5% off bill	No	No	\$12.73	No	3/7/19
Origin Energy Flexi	2% off bill	No	No	\$12	No	8/7/19

* ETF = Early Termination Fee and LPF = Late Payment Fee

The discounts used to estimate annual bills for Figures 2 and 3, as well as charts 14-15 below, are shown in table 5 above. Table 5 also shows other contract terms and features, such as late payment fees, associated with these market offers.

The difference between the best and the worst market offers is less for gas than electricity. Furthermore, as the retailer with the highest rates (AGL) is also the retailer with the greatest discount, the difference between the two market offers post discounts is only \$85 in the APT zone (Brisbane South) and \$30 in the Envestra/AGN zone (Brisbane North). The average market offer (inclusive of discounts) has increased by \$10 since July 2018.³⁹

Figures 2 and 3 below show estimated annual bills for gas market offers post discounts in the APT and Envestra/AGN gas zones.⁴⁰

³⁹ Average market offer bill based on Origin and AGL's offers in the APT and Envestra/AGN gas zones.

⁴⁰ These bill estimates are based on rates published on the retailers' websites between the 1st of July 2018 and the 1st of August 2019, and it must be noted that retailers may change their rates at any time.

FIGURE 2 | APT gas zone: Lowest to highest annual bills (incl GST) for market offers post July 2019, including discounts and pay on time discounts - Households consuming 10,000MJ per annum

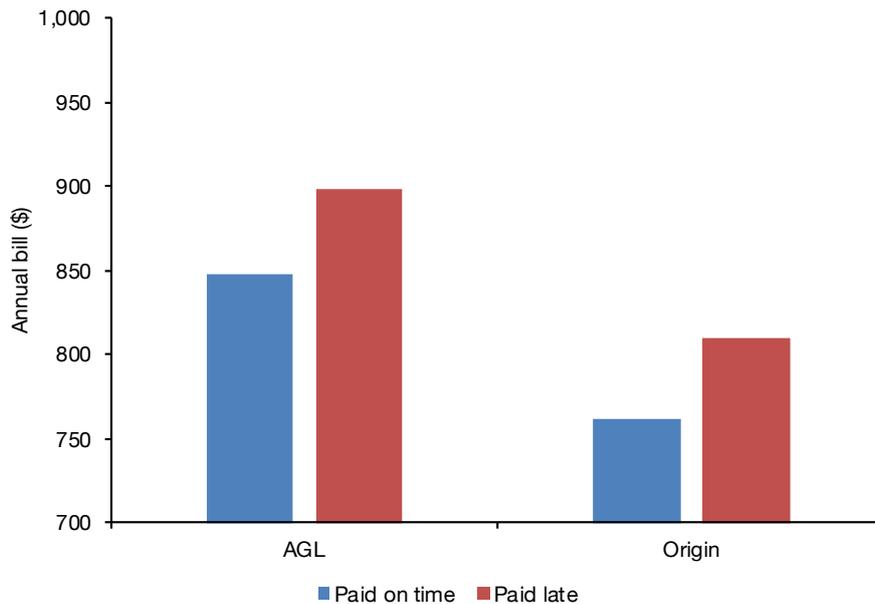
	Origin Energy	\$762
	AGL	\$848

FIGURE 3 | Envestra/AGN gas zone: Lowest to highest annual bills (incl GST) for market offers post July 2019, including discounts and pay on time discounts - Households consuming 10,000MJ per annum

	Origin Energy	\$756
	AGL	\$784

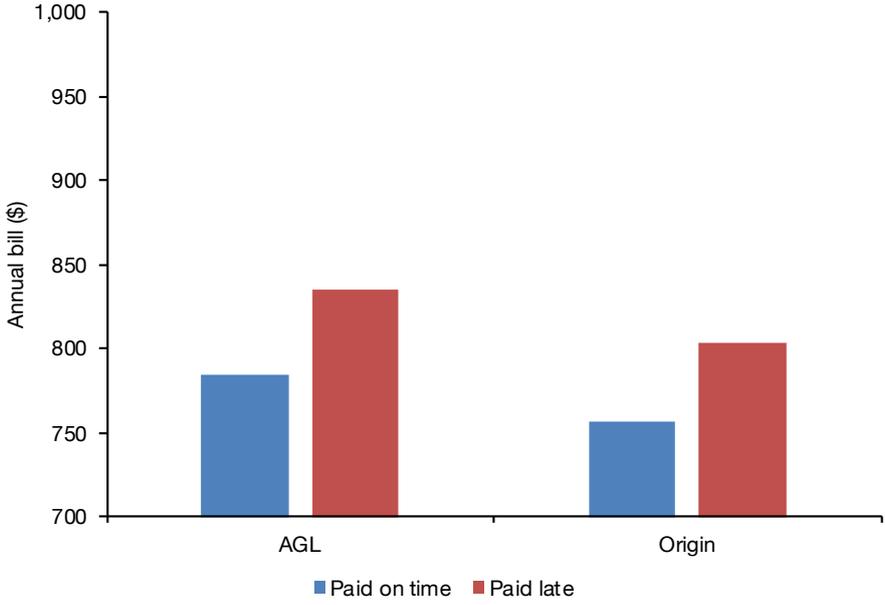
Charts 14-15 below show the estimated annual gas bill for customers that always pay on time and customers who do not, for published gas offers in the APT and Envestra/AGN gas zones. As both AGL and Origin currently offer unconditional discounts, charts 14 and 15 show that annual bills are around \$50 less for prompt payers compared to late payers. This difference reflects the retailers’ late payment fees of \$12-13 that may be applied to each quarterly bill.

CHART 14 | APT gas zone: Estimated annual bills for customers that pay on time vs. pay late, gas offers as of July 2019 (10,000MJ, GST inc)⁴¹



⁴¹ Annual bill calculation includes discounts, pay on time discounts and late payment fees as per energy offer.

CHART 15 | Envestra/AGN gas zone: Estimated annual bills for customers that pay on time vs. pay late, gas offers as of July 2019 (10,000MJ, GST inc)⁴²



42 Ibid.

3. THE DEFAULT MARKET OFFER (DMO) AND MARKET CHANGES

As discussed above (section 1), the DMO regulation stipulates that retailers must structure their prices to not exceed the annual DMO price for a set consumption level. In relation to other market offers, however, the retailers can set their own prices. In determining the DMO, the AER was conscious of not stifling competition and customer engagement in the market. The AER stated:

“We considered that this price achieved the key policy objectives of:” ... “*Not disincentivising competition and market participation by customers and retailers.* Our draft DMO price level was significantly higher than the lowest market offer in each distribution zone, meaning:

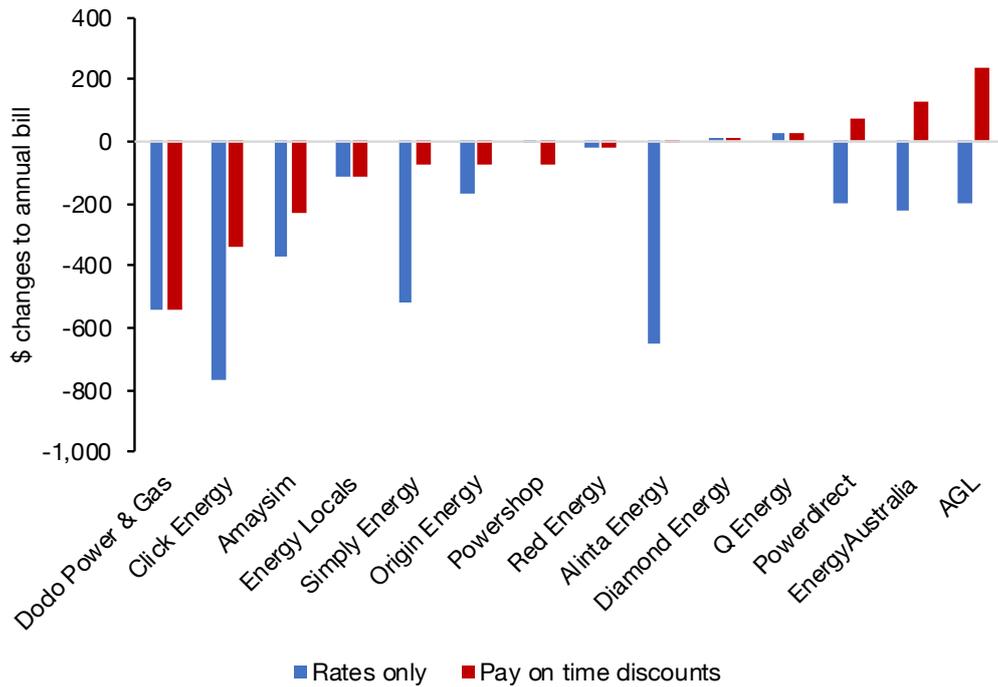
- Customers on a DMO would have a strong incentive to shop around and switch.
- There remained significant room for retailers to compete on price and discounts below the DMO price point.”⁴³

Chart 16 below shows that 13 out of 14 retailers that changed their offers between July 2018 and July 2019 in the Energex network, reduced their base rates (blue columns).⁴⁴ Q Energy is the only retailer that increased its base rate during this period, while Powershop and Diamond Energy’s base rates remained the same. In terms of bills inclusive of pay on time discounts (red columns), however, the bill reduction for Alinta, Simply and Click Energy is much lower when additional discounts are taken into account. Furthermore, three retailers (AGL, Energy Australia and Powerdirect) have offers that produce higher annual bills post July 2019, when discounts are included. Last year AGL, Energy Australia and Powerdirect offered pay on time discounts of between 24 and 28% while they now offer guaranteed discounts of between 6 and 11%. This means that while base rates have mostly decreased, some customers that have been receiving high discounts in return for paying their bills on time, may experience a bill increase post July 2019.

⁴³ AER, Default Market Offer Prices 2019-20, Final Determination, April 2019, 30

⁴⁴ Note that this chart only includes retailers that had published market offers in July 2018 as well as July 2019, and that changed their offers over this period.

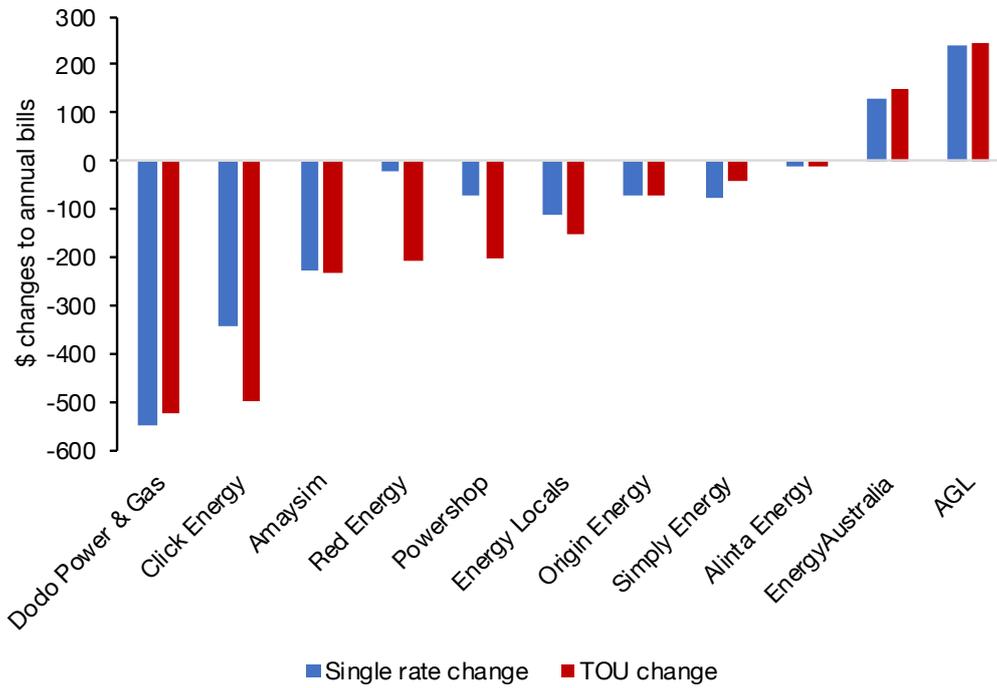
CHART 16 | Electricity market offers in Energex network as annual bills, July 2018 and 2019, based on 8,000kWh per annum, single rate, incl GST.⁴⁵



As the DMO sets prices (articulated as annual bills) for single rate and controlled load tariffs only, Queensland customers on other tariff types, such as TOU, will not experience any immediate and direct changes from the new regulations. Chart 17 below compares changes to single rate market offers and TOU market offers in the Energex network from July 2018 and July 2019. It shows that half of the retailers have introduced greater bill decreases to their TOU offers (red columns) compared to their single rate offers (blue columns) over this period despite the TOU tariff not being subject to the new regulation.

⁴⁵ As the majority of retailers have discontinued their 2018 offers and introduced new market offers, this analysis is based on market offers deemed best value as well as “standard” (e.g. no direct debit requirements, fixed prices etc.) in both July 2018 and July 2019. Where this has occurred, the offers used for this comparison (2018/2019) are: Energy Locals (Save Me/Simple Saver), AGL (Savers/Smart Saver), Alinta (Home Saver Plus/No Fuss), Click (Agate/Banksia), Energy Australia (Anytime Saver/Total Plan), Origin Energy (Bill Saver/Flexi), Powerdirect (Market offer/Discount Saver), Powershop (Power Saver/Shopper with Mega Pack), Q Energy Flexi Saver Home/Home Saver and Amaysim (Electricity 4/Electricity as you go).

CHART 17 | Electricity market offers in Energen network as annual bills, July 2018 and 2019, based on 8,000Wh per annum, single rate and TOU (20% peak/55% shoulder /25% off-peak), incl GST⁴⁶



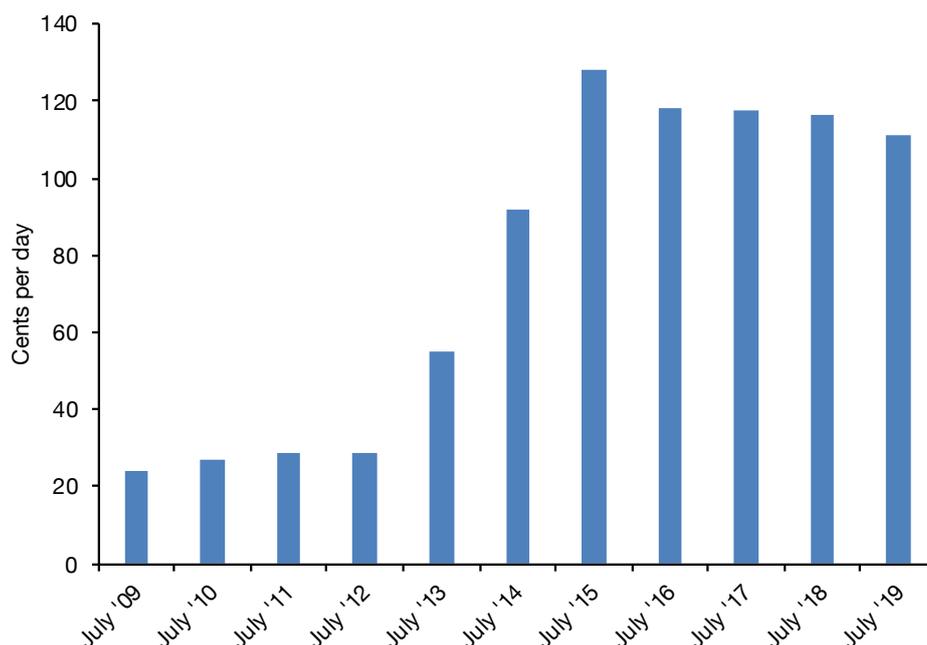
⁴⁶ As the majority of retailers have discontinued their 2018 offers and introduced new market offers, this analysis is based on market offers deemed best value as well as “standard” (e.g. no direct debit requirements, fixed prices etc.) in both July 2018 and July 2019. Where this has occurred, the offers used for this comparison (2018/2019) are: Energy Locals (Save Me/Simple Saver), AGL (Savers/Smart Saver), Alinta (Home Saver Plus/No Fuss), Click (Agate/Banksia), Energy Australia (Anytime Saver/Total Plan), Origin Energy (Bill Saver/Flexi), Powerdirect (Market offer/Discount Saver), Powershop (Power Saver/Shopper with Mega Pack), Q Energy Flexi Saver Home/Home Saver and Amaysim (Electricity 4/Electricity as you go). As Powerdirect and Q Energy did not have TOU offers in July 2018 they are not included in this analysis.

4. SUPPLY CHARGES

4.1 Electricity supply charges

The supply charge is a fixed daily charge that is paid in addition to the consumption charges for electricity used. In Queensland the supply charge for single rate electricity customers (tariff 11) has decreased by 5% since July 2017. In July 2013, 2014 and 2015, however, there were significant increases to the supply charge. The average supply charge (based on AGL and Origin's standing offers) is still over 110 cents per day meaning that households pay around \$400 per annum in fixed charges. Chart 18 below shows the changes to the daily supply charge from July 2009 to July 2019.

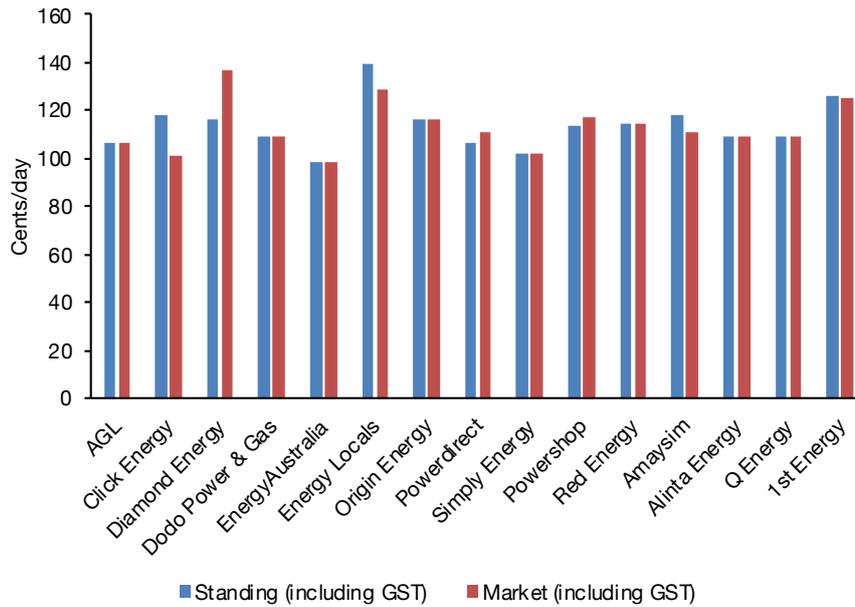
CHART 18 | Daily supply charge, Tariff 11, regulated/standing electricity offers, 2009-19.⁴⁷



The supply charge varies between retailers. Chart 19 shows that many retailers apply the same fixed supply charge to their standing offer as they do to their market offer while some retailers (Click Energy, Energy Locals, Red Energy, 1st Energy and ReAmped Energy) apply higher fixed charges to their standing offers. Diamond Energy, Powerdirect and Powershop, on the other hand, apply lower fixed charges to their market offer. Furthermore, it shows that Diamond Energy's market offer supply charge is almost 38 cents/day higher than Energy Australia's market offer supply charge.

⁴⁷ The 2016, 2017, 2018 and 2019 charges are based on AGL and Origin's average supply charge.

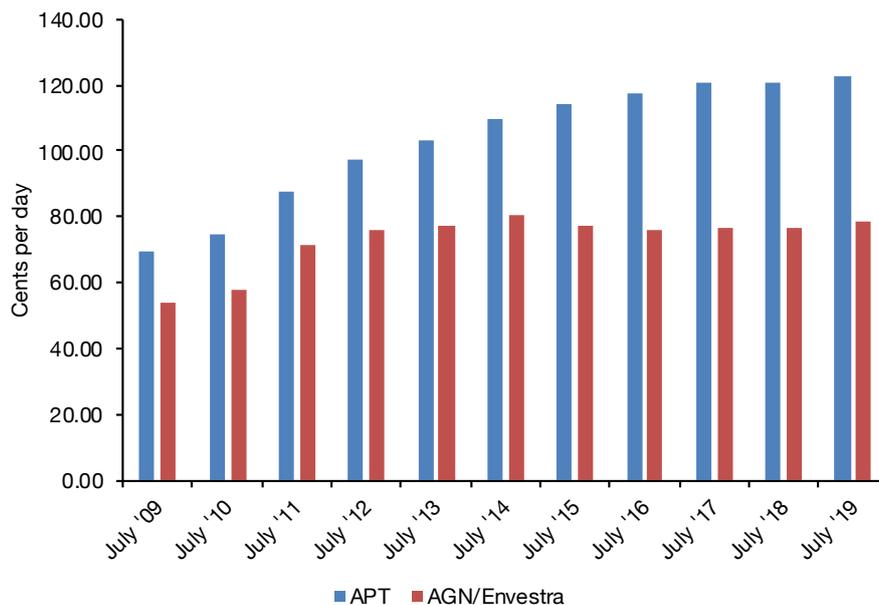
CHART 19 | Daily supply charge July 2019, Tariff 11, Cents/day incl. GST.⁴⁸



4.2 Gas supply charges

In July 2019, the average fixed supply charge increased in the APT (Brisbane South) and Envestra/AGN (Brisbane North) distribution zones in comparison to July 2018. However, it should be noted that Origin Energy’s supply charge has remained the same in the APT gas zone while AGL increased theirs. The average gas supply charge is around 122 cents/day in the APT distribution area and approximately 78 cents/day in the Envestra/AGN (Brisbane North) pricing zone. This effectively means that South Brisbane households (APT zone) continue to pay close to \$450 per annum in order to be connected to natural gas. Chart 21 below shows changes to the gas supply charge from July 2009 to July 2019 for both gas zones.

CHART 20 | Gas supply charges from July 2009 to July 2019, Cents per day⁴⁹



⁴⁸ Note that Mojo Power, DC Power Co, ReAmped Energy and Powerclub are not included in this chart as they have no standing offer for Tariff 11.

⁴⁹ Based on the average gas supply charge (AGL and Origin).

The average domestic gas consumption in Queensland is relatively low and as such the supply charges comprise a significant proportion of the annual gas bill.⁵⁰ For households consuming 10,000MJ per annum in the APT gas zone, the supply charge makes up 52-56% of the annual bill, depending on the retailer. In the Envestra/AGN zone (Brisbane North), the supply charge makes up 35% of the annual bill (for the same consumption level).

⁵⁰ We have assumed typical residential annual gas consumption in Queensland to be 10,000MJ per annum while in Victoria we base it on 63,000MJ.

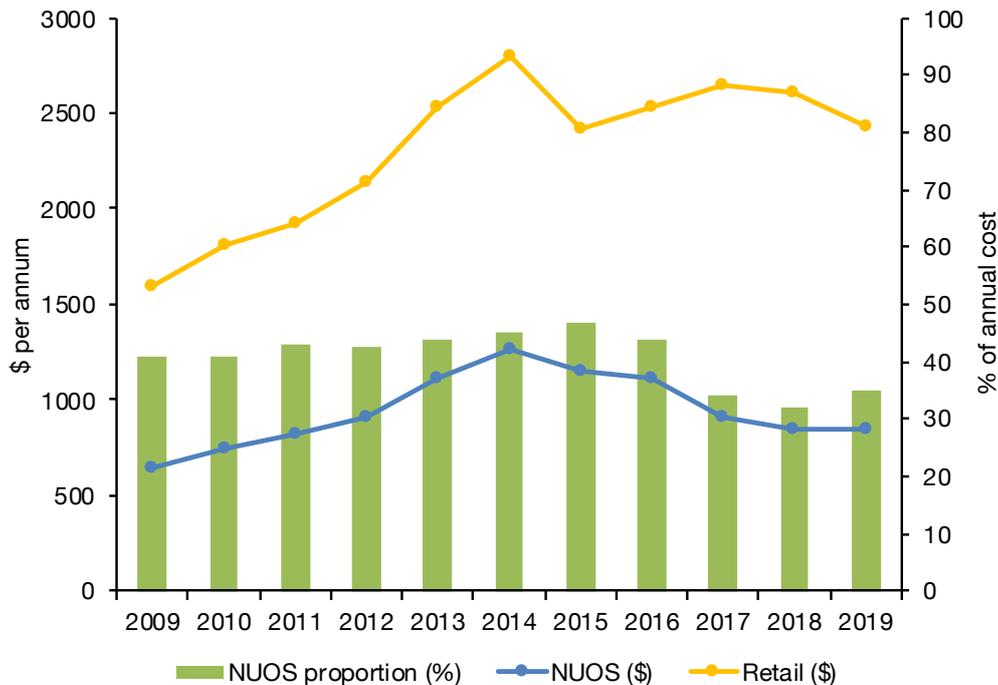
5. NETWORK CHARGES

The Queensland electricity networks, Energex and Ergon, introduce new Network Use of System (NUOS) charges as of 1 July every year. These NUOS charges are approved by the Australian Energy Regulator (AER) and comprise Transmission Use of System (TUOS) and Distribution Use of System (DUOS) and the retailers can, and generally will, build changes to the NUOS (in relation to both shape and price) into their retail tariffs.

Chart 21 shows annual retail bills (yellow line), NUOS charges as annual cost (blue line) and NUOS as proportion of annual bill (columns).⁵¹

It shows that the NUOS charge has been in decline since July 2014 and it only had a slight increase in July 2019. However, as the overall retail bill has decreased this year, the NUOS proportion of bills has increased in comparison to July 2018. The NUOS proportion of bills is currently 35%.

CHART 21 | Energex: Retail bill per annum (incl. GST), NUOS charges and NUOS as proportion of total bill (incl. GST) from 2009 to 2019 (based on the *regulated/standing* retail offer, Tariff 11, 8,000 kWh per annum)⁵²



⁵¹ The regulated residential retail tariff, which applies to residential customers across Queensland, is based on Energex' network tariff only.

⁵² Based on the regulated retail offer rates from 2009 to 2015 and AGL and Origin's standing offers (average) as of July 2016, 2017, 2018 and 2019. Presented as annual bills for households using 8,000kWh per annum (flat rate). The annual NUOS charges have been calculated by allocating 2,000kWh per quarter (again based on annual consumption of 8,000kWh) to the step charges stipulated in the NUOS. The annual NUOS cost also includes fixed charges.

5. SOLAR OFFERS

There are over 600,000 small scale rooftop solar systems in Queensland.⁵³ 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 East Queensland 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 8,000kWh (including both produced and imported).
- ▲ Calculations have been produced for households with 1.5 kW and 3 kW systems only.
- ▲ For Brisbane households, an annual generation capacity per kW installed of 1.736 MWh and an export rate of 53.4% for 3 kW systems and 24.6% for 1.5 kW systems.⁵⁴
- ▲ For rural households, an annual generation capacity per kW installed of 1.857 MWh and an export rate of 56.4% for 3 kW systems and 29.5% for 1.5 kW systems.⁵⁵
- ▲ Only FIT rates available to new customers have been included. Retailer funded FIT rates have been applied as per offer.
- ▲ For tariffs with controlled load, 15% of the total load has been allocated to the off-peak rate.
- ▲ 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 have not changed their FIT rate since July 2018. Others, like AGL, Click Energy, Origin Energy, Powerdirect and Simply Energy have lowered their FIT rates in comparison to last year. Diamond Energy, Energy Locals and Red Energy, on the other hand, have increased their FIT rates.

TABLE 6 | Retailers' FIT rates July 2019

Retailer	Offer	FIT rate (c/kWh)
Red Energy	Easy Saver	17.0
EnergyAustralia	Total Plan Home	16.1
Energy Locals	Solar Member Promise	16.0
AGL	Solar Savers	15.0

⁵³ Small scale is defined as systems up to 100 kW. Clean Energy Council, Clean Energy Australia Report 2019, 62

⁵⁴ These figures are based on NSW (outside Sydney) 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).

⁵⁵ Ibid.

Retailer	Offer	FIT rate (c/kWh)
Origin Energy	Solar Optimiser	15.0
DC Power Co	Market offer	15.0
Amaysim	Solar as you go	14.0
Click Energy	Banksia Solar	12.0
Diamond Energy	Pay on time discount	12.0
Alinta Energy	No fuss Solar	11.0
Simply Energy	Plus	10.0
Powershop	Shopper with Mega Pack	9.5
Powerdirect	Discount Saver	8.6
Dodo Power & Gas	Market offer	8.5
Powerclub	Powerbank Home Solar	8.5
Q Energy	Home Saver	8.0
ReAmped Energy	Market offer	8.0
1st Energy	1st Saver	6.0

Chart 22 below compares annual retail bills for solar customers in Brisbane with 3 kW and 1.5 kW installed. It shows that Click, Dodo, Energy Locals, Amaysim and 1st Energy's offers produce annual bills above the average for both 3 kW and 1.5 kW systems. Brisbane solar customers with 3 kW systems (and this consumption level) would be approximately \$610 per annum better off on Energy Australia's offer compared to DC Power Co's offer. Customers with a 1.5 kW system installed may save \$690 per annum if they switched from DC Power Co to ReAmped Energy's offer.

The average annual bill is approximately \$1,360 for households with 3 kW systems and \$1,740 for households with 1.5 kW systems installed. This means that the average annual bill is \$870 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 (3 kW systems) has decreased by approximately \$60 or -4.2%.⁵⁶

⁵⁶ For non-solar households, the average market offer bill (including pay on time discounts) decreased by \$100 or 4%. See section 2.1.

CHART 22 | Annual bills including discounts and FIT credits for *Brisbane* customers with 3 kW and 1.5 kW solar systems. Electricity offers post July 2019 as annual bills, Tariff 11, 8,000kWh (GST inc).⁵⁷

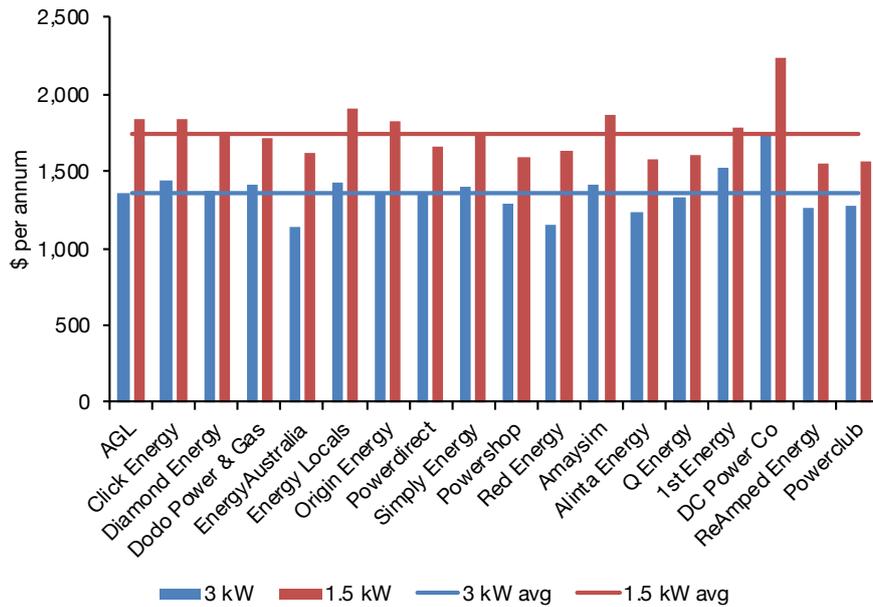


Figure 4 below shows estimated annual bills for solar market offers post discounts ranked from the lowest annual bill to the highest.⁵⁸

FIGURE 4 | Lowest to highest annual bills (incl GST) for solar market offers post July 2019, including discounts, pay on time discounts and Feed-in-tariff – Metropolitan households with 3 kW solar systems, consuming 8,000kWh per annum (including generated and imported electricity), Tariff 11

	Energy Australia	\$1,131		AGL	\$1,360
	Red Energy	\$1,158		Diamond Energy	\$1,372
	Alinta Energy	\$1,228		Simply Energy	\$1,395
	ReAmped Energy	\$1,264		Dodo Power & Gas	\$1,414
	Powerclub	\$1,275		Amaysim	\$1,416
	Powershop	\$1,282		Energy Locals	\$1,430
	Q Energy	\$1,323		Click Energy	\$1,442
	Origin Energy	\$1,352		1st Energy	\$1,524
	Powerdirect	\$1,355		DC Power Co	\$1,742

Charts 23 and 24 below show annual bills for Brisbane solar customers on tariff 11, tariff 31 and tariff 33.

⁵⁷ Calculations include discounts off usage or bill as well as pay on time discounts off usage or bill.

⁵⁸ These bill estimates are based on rates published on the retailers' websites between the 1st of July and the 1th of August 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.

CHART 23 | Annual bills including discounts and FIT credits for Brisbane customers with a 3 kW solar system. Electricity offers post July 2019 as annual bills, Tariff 11, 31 and 33, 8,000kWh (GST inc).⁵⁹

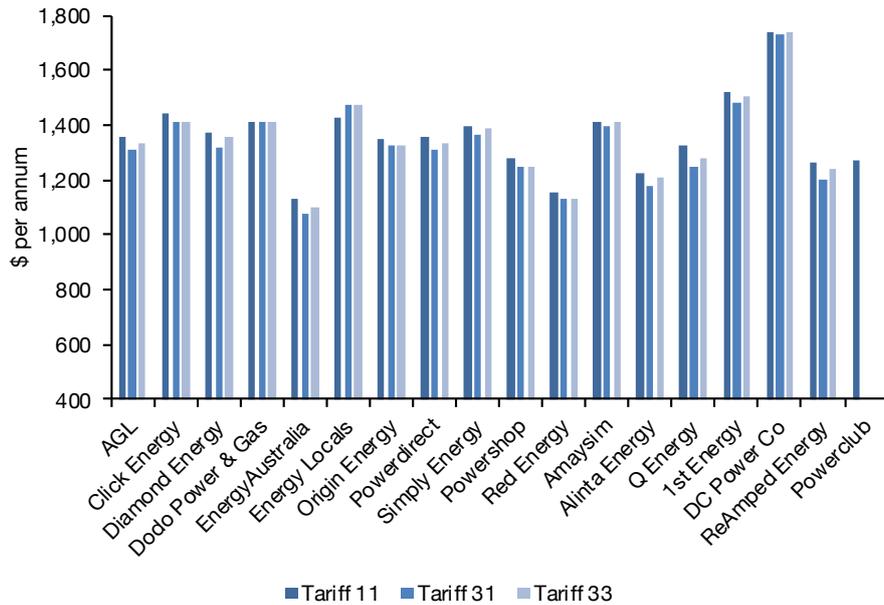
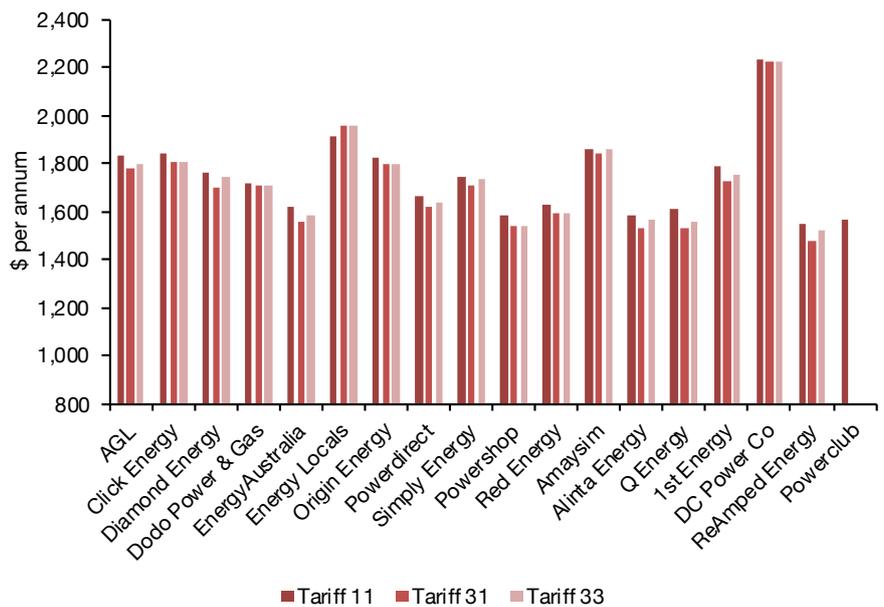


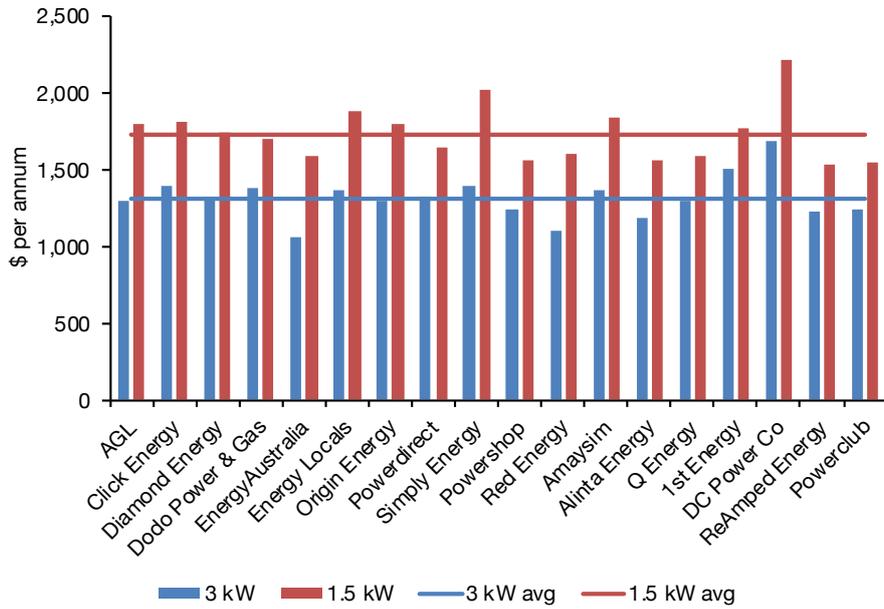
CHART 24 | Annual bills including discounts and FIT credits for Brisbane customers with a 1.5 kW solar system. Electricity offers post July 2019 as annual bills, Tariff 11, 31 and 33 8,000kWh (GST inc).⁶⁰



Homes outside Brisbane’s metropolitan area will typically have less overshadowing and therefore a higher generation capacity and export rate. Chart 25 compares annual retail bills for solar customers in non-metropolitan Queensland 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 22 above).

⁵⁹ Ibid.
⁶⁰ Ibid.

CHART 25 | 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, Tariff 11, 8,000kWh (GST inc).⁶¹



⁶¹ Calculations include discounts off usage or bill as well as pay on time discounts off usage or bill.