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## SEQ retail electricity market monitoring 2022–23

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December 2023

We wish to acknowledge the contribution of the following staff to this report:

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## EXECUTIVE SUMMARY

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### Introduction

The Minister for Energy, Renewables and Hydrogen has directed us to report on the SEQ retail electricity market for residential and small business customers annually until 2024–25. This is our seventh annual report and covers the period 1 July 2022 to 30 June 2023. Our market monitoring reports assist the Queensland Government to ensure that customers can benefit from competition in the market.

### Annual bills

SEQ customers can choose from a wide variety of retail electricity plans that have different prices and pricing structures. Retail electricity plans include supply and usage charges, and often also other charges, guaranteed or conditional discounts, financial incentives and fees. Whether a plan is the cheapest for a customer depends on their consumption and the interaction between the various price components.

We present bills for a typical SEQ customer with a median level of consumption based on the plans that were available on Energy Made Easy in 2022–23 for the most common tariffs and tariff combinations. These bills do not reflect the actual bills of individual SEQ customers but show what a typical SEQ customer with a median level of consumption would have paid if they had taken up the plans available in 2022–23.

The increase in wholesale energy costs in late 2021–22 and early 2022–23 impacted on retail electricity prices. Wholesale energy costs have since decreased substantially, but retailers' costs generally take longer to reflect changes in wholesale energy costs. This is because retailers often use financial instruments (hedging and contractual strategies) to lock in prices, which results in a delay between movements in wholesale energy costs and the effect on the retail prices.

Most retailers increased the prices of their market offers in 2022–23—in some cases substantially. Standing offer prices, on the other hand, could not be increased to the same extent as market offer prices, provided that a default market offer (DMO) was in place for that tariff or tariff combination.

Only two retailers had residential flat rate market offers available in the June quarter of 2023 that were slightly cheaper for the typical SEQ customer than their cheapest plan a year earlier. For the other tariffs and tariff combinations we report on, none of the retailers had cheaper market offers available in the June quarter of 2023 than a year earlier. From the June quarter of 2022 to the June quarter of 2023, the average lowest market offer bill increased by between 30.0% and 32.5% for residential customers and by between 28.2% and 34.4% for small business customers in nominal dollars.

While these increases are significant, it is noted that market offer bills in 2022–23 were lower in real terms than they were at the previous peak in 2017–18. As an example, the average lowest residential flat rate market offer bill reached \$1,532 in the December quarter of 2022, which is 9.0% above the peak of \$1,405 in the September quarter of 2017. However, over that period, the Brisbane All Groups CPI increased by 18.6%<sup>1</sup>, implying that in real inflation-adjusted terms, bills in 2022–23 were substantially lower than in the previous peak in 2017–18.

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<sup>1</sup> Inflation was particularly high since 2021–22. See Australian Bureau of Statistics (ABS), 'Tables 1 and 2. CPI: All Groups, Index Numbers and Percentage Changes' [time series spreadsheet], *Consumer Price Index, Australia*, September quarter 2023, ABS website, accessed 23 November 2023.

## Discounts, savings and incentives

Discounts were less common in the June quarter of 2023 than in the June quarter of 2022. The shift from conditional to guaranteed discounts continued in 2022–23 as well. These are trends that we had been observing over the past few years, following changes to the legal framework for discounting.

Financial incentives were more common than non-financial incentives for residential customers in the June quarter of 2023, which was the case also in the June quarter of 2022. The types of financial incentives were primarily sign-up and bill/account credits in both these June quarters. A new financial incentive offered was a fuel discount. Non-financial incentives in the June quarter of 2023 were similar too to those in the June quarter of 2022. A new non-financial incentive offered was free NRMA membership.

Various retailers again offered GreenPower options in the June quarter of 2023. Since the June quarter of 2022, the GreenPower options had not changed much, but some retailers had adjusted their prices. Most retailers also offered carbon offset options.

Customers should always carefully check and consider the conditions and eligibility criteria attached to each plan. Certain plans may not be available to them. Customers may also forfeit the discounts or incentives attached to a plan if they do not meet the conditions or criteria, in which case their bill could be higher.

## Fees and charges

Most retailers attached retail fees to at least some of their market offers in the June quarter of 2023. The types of fees were similar to those in previous years and included payment processing fees (for payments by credit/debit card, BPay or cheque, or through Australia Post), as well as fees for paper bills, dishonoured cheque or direct debit payments, late payments, membership and account establishment.

By law, retailers may only charge their standing offer customers in Queensland three types of retail fees—historical billing data fees for data that is more than two years old (if requested by a customer), a retailer's administration fee for a dishonoured payment, and financial institution fees for a dishonoured payment. We periodically review plans published on Energy Made Easy to check if retailers comply with this restriction.

## Weighted bills

We compared and assessed the trends in standing offer and market offer bills (in nominal terms) in each quarter from 2015–16 to 2022–23, weighted by retailers' market shares in the respective quarter, for residential and small business flat rate customers. Overall, weighted average bills decreased from 2015–16 to late 2021–22. However, this trend reversed and we saw substantial increases in weighted average standing offer and market offer bills for both residential and small business customers in 2022–23. After these increases, the weighted average market offer bills were higher than they were in 2015–16.

## Customers receiving assistance with electricity bills

Based on the three common residential tariffs and tariff combinations we report on, we found that 346,348 SEQ customers received assistance with their electricity bills in the December quarter of 2022 through participating in a retailer hardship program, and/or receiving the electricity rebate, and/or receiving Home Energy Emergency Assistance Scheme support.<sup>2</sup> Of these customers, 9.1% were on a standing offer. Compared to a year earlier, in the December quarter of 2021, the number of assisted customers on a standing offer decreased from 35,548 to 31,358.

The prices paid by assisted customers on standing and market offers increased across all residential tariffs/tariff combinations and assistance categories from 2021–22 to 2022–23. Some assisted customers

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<sup>2</sup> HEEAS is a program from the Queensland Government to assist people experiencing problems paying their electricity or reticulated natural gas bills as a result of an unforeseen emergency or a short-term financial crisis.

on market offers were paying higher prices than the price of the market offers that their retailer had available in the December quarter of 2022.

### New retail tariffs and plans

We identified some offerings for SEQ customers that were new or had become more common in 2022–23. These included plans that offered solar panels, a battery storage unit and a subscription-based energy plan combined as an end-to-end solution; plans that gave customers access to a peer-to-peer electricity marketplace; plans that involved a virtual power plant; and plans that rewarded customers who reduced their usage during peak events that caused high demand on the grid.

Not all retailers had retail electricity plans available that reflected, at least to some degree, the new Energex network tariff structures. Some of these more cost-reflective retail electricity plans that are based on Energex's new network tariff structures required customers to have a smart meter; therefore, they were not yet available to every SEQ customer.

### Market competitiveness

Some of the market indicators we assess were impacted by the increase and volatility of wholesale energy costs in late 2021–22 and early 2022–23. Nonetheless, the following outcomes we observed in the SEQ retail electricity market in 2022–23 were broadly consistent with a competitive market:

- Retailers continued to compete on price, mainly through financial incentives and/or discounts.
- Some new and/or innovative plans were offered, which suggests that retailers also continued to compete by differentiating their products and tailoring them to customers' preferences and needs.
- Switching between retailers spiked in the June quarter of 2022 as the impact of higher wholesale energy costs started to flow through to customers, and switching continued in 2022–23, yet at a lower level.
- Market concentration increased as several smaller retailers exited the market and/or their customers switched to larger retailers, but competition between the retailers that were still active in the market appeared to continue.

Some customers may choose to remain inactive or not to engage with the market. But others—including customers experiencing vulnerability—may find it difficult to navigate the market and compare plans, because they do not have sufficient knowledge of the market and/or find the market too complex. Those customers may therefore not be on the best plan for their circumstances. This suggests that competition might not be working as effectively as it should for all customers. Targeted assistance is critical to ensure that all customers can, and do, benefit from competition—for example, through initiatives such as the AER's 'game changer' reforms that aim to identify consumer vulnerability earlier and improve outcomes.

### Significant issues

We identified two significant issues in the SEQ retail electricity market in 2022–23:

- More customers on retail demand tariffs—as many retailers assign smart meter customers to retail demand tariffs, the number of customers on such tariffs is increasing. The presentation and calculation of demand charges can significantly impact a customer's understanding and ability to compare demand tariff plans.
- High wholesale energy costs—various international and domestic factors put upward pressure on wholesale energy costs in Queensland in the June quarter of 2022, which resulted in substantial increases to retail electricity prices. While wholesale energy costs have decreased significantly since, retail electricity prices have remained elevated, as retailers often use financial instruments to lock in prices, which leads to a delay between changes in wholesale energy costs and their impact on retail prices.

## Electricity comparison websites

There are numerous commercial comparison sites that promise to find a cheaper electricity plan for customers. However, we share the concerns of the Australian Energy Market Commission and the Australian Competition and Consumer Commission over the extent to which commercial comparison websites disclose the range of retailers they represent and the commission arrangements that apply.

Each electricity retailer operating in SEQ must publish all of its plans for residential and small business customers on [Energy Made Easy](#)—a website developed by the Australian Energy Regulator to help households and small businesses to compare plans. Energy Made Easy is free and independent of commercial third parties and includes all generally available electricity plans. In our view, it is the best and most reliable tool available to SEQ customers to analyse, compare and choose electricity plans.

We encourage customers to regularly check whether they can find a better deal on Energy Made Easy. Active customers are likely to pay less than inactive or disengaged customers.



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# 1 INTRODUCTION

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## 1.1 Retail electricity market monitoring in south-east Queensland

Retail electricity prices for residential and small business customers have been deregulated in south-east Queensland (SEQ) since 1 July 2016. The Queensland Competition Authority (QCA) monitors the operation of the SEQ retail electricity market. This assists the Queensland Government to ensure that electricity customers can benefit from competition in the market.<sup>3</sup>

In June 2021, the Minister for Energy, Renewables and Hydrogen (the Minister) directed us to monitor and report on the operation of the SEQ retail electricity market for residential and small business customers for each financial year from 1 July 2020 to 30 June 2025.<sup>4</sup> This market monitoring report is for the period from 1 July 2022 to 30 June 2023.

Electricity customers can be categorised as large or small customers, depending on their annual electricity consumption. Our report focuses on small customers, who are defined under the National Energy Retail Law (NERL) as residential or business customers with an electricity consumption of less than 100 megawatt hours (MWh) per year.<sup>5</sup>

## 1.2 Standing and market offers

Electricity retailers operating in SEQ are required to provide customer retail services to small customers under either a standard retail contract or a market retail contract:<sup>6</sup>

- Standard retail contracts (standing offers) are basic offers with terms and conditions that are specified in the National Energy Retail Rules (NERR).<sup>7</sup> Since 1 July 2019, retailers have been required to set standing offer prices at or below the default market offer (DMO) prices set by the Australian Energy Regulator (AER) each year.<sup>8</sup>
- Market retail contracts (market offers) contain a minimum set of terms and conditions specified in the NERR and can include other terms and conditions agreed between the retailer and customer.<sup>9</sup>

In our view, standing and market offers should not be compared solely in terms of their price. Standing offers typically provide more favourable terms and conditions than market offers. Standing offer customers also receive additional benefits, including access to paper bills at no extra

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<sup>3</sup> *Electricity Competition and Protection Legislation Amendment Act 2014* (Qld) (ECPLA Act), part 3; ECPLA Act Proclamation; ECPLA (Postponement) Regulation; Electricity Act, section 89B. See also M Bailey, *Deregulation brings competitive electricity pricing to South-East Queensland* [media release], Queensland Government, 1 July 2016.

<sup>4</sup> The Minister's letter and direction notice are available on our website at [SEQ retail electricity market monitoring](#).

<sup>5</sup> NERL, section 5; *National Energy Retail Regulations*, section 7. See also Queensland Government, *Electricity prices*, Business Queensland website, updated 3 August 2023, viewed 15 August 2023, and AER, *Energy Made Easy (Am I a small energy customer?)*, Australian Government website, updated 24 July 2023, viewed 30 July 2023. In this report, references to the NERL are also references to the National Energy Retail Law (Queensland) (NERLQ), which includes Queensland-specific modifications to the NERL.

<sup>6</sup> NERL, section 20.

<sup>7</sup> NERR, rule 12 and schedule 1. The NERR govern the sale and supply of energy (electricity and natural gas) from retailers and distributors to customers in New South Wales, Queensland, South Australia, Tasmania and the Australian Capital Territory, and are made by the Australian Energy Market Commission (AEMC) under the NERL.

<sup>8</sup> Competition and Consumer (Industry Code—Electricity Retail) Regulations 2019 (Cth) (Electricity Retail Regulations), section 10; AER, *Default Market Offer Prices 2022–23* [final determination], 2022.

<sup>9</sup> NERR, rule 14.

cost, better payment terms (which can include bill smoothing) and ongoing certainty of terms (i.e. retailers cannot change terms or impose restrictions as they can under market contracts).<sup>10</sup>

The term 'offers' is commonly used to refer to standing and market offers. However, electricity offers are also often referred to as 'plans'—for example on Energy Made Easy (a price comparator service), in the AER's retail pricing information guidelines, and in some other reports on retail electricity markets. In this report, we use the terms 'offers' and 'plans' interchangeably.

### 1.3 Energy Made Easy

To assist small customers to compare plans, the AER operates a free price comparator called Energy Made Easy.<sup>11</sup> Retailers have to provide information on each of their generally available electricity plans on Energy Made Easy in accordance with the AER's retail pricing information guidelines.<sup>12</sup> For our analysis, we have obtained data on all electricity plans available to SEQ customers in 2022–23 (and in previous years) directly from Energy Made Easy.

Given that Energy Made Easy is independent of commercial third parties and includes all generally available energy plans, we consider Energy Made Easy to be the most important and reliable tool available to SEQ customers to analyse, compare and choose electricity plans. By contrast, commercial comparison sites often work on commissions-based arrangements with retailers and may not cover all the retailers in the market, nor all the available plans of the retailers that are included on those commercial comparison sites.

### 1.4 Advice for customers

Customers who have not signed a new electricity contract recently may face prices and conditions that differ substantially from the bills presented in this report. We encourage customers to regularly check Energy Made Easy to see whether they can find a better deal. In addition, customers should check their bill to see if their retailer has identified a cheaper plan to consider. Despite recent increases in electricity prices, active customers are likely to pay less than inactive or disengaged customers.<sup>13</sup>

The Queensland Government provides the following general advice to customers about how to engage with the retail electricity market.<sup>14</sup>

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<sup>10</sup> We acknowledge the difficulty of appropriately quantifying the value of these additional benefits. For more analysis on the value of the differences in the terms and conditions of standing and market offers, see QCA, *Regulated retail electricity prices for 2019–20* [final determination], 2019, pp 48–59, and QCA, *Regulated retail electricity prices for 2021–22* [final determination], 2021, pp 53–58. Similarly, the Australian Competition and Consumer Commission (ACCC) noted that standing offer contracts have a guaranteed level of consumer protections that are higher than the required consumer protections in market offer contracts. Consumers may also take comfort from the government-set prices that apply to standing offers (ACCC, *Inquiry into the National Electricity Market*, May 2022, p 29).

<sup>11</sup> NERL, section 62; *Energy Made Easy* website.

<sup>12</sup> AER, *AER Retail Pricing Information Guidelines* [version 5.0], 2018, p 8 (clause 23).

<sup>13</sup> According to the Essential Services Commission (ESC) in Victoria, just over half of the residential electricity customers were on their current retailer's best plan in 2022–23. Of those customers not on the best plan, 28% could have saved over \$100 a year, 12% could have saved between \$50 and \$100 a year, and the rest up to \$50 a year by switching to their retailer's best plan (ESC, *Victorian Energy Market Report*, 2023, p 6). This means that roughly every second customer could have saved by switching to a better plan of their current retailer. And many customers are likely to have saved by switching to an even better plan of another retailer. Similar data is not available for SEQ.

<sup>14</sup> Summarised from Queensland Government, *Compare and choose electricity retailers*, Queensland Government website, updated 1 August 2023, viewed 15 August 2023.

### Queensland Government advice to customers

- Use Energy Made Easy to compare and choose electricity deals by electricity retailers.
- Contact your current electricity retailer to ask for a better electricity deal.
- If you've asked someone to speak to your electricity retailer for you, you'll need to stand by to provide that authorisation.
- Check that the new electricity plan saves you money by comparing conditions, benefits and costs (using your current bill and retailer advice) against other potential plans.
- Read the conditions if you are offered a discount.
- Check the payment terms for flexible options.
- Check for exit fees.
- Use the cooling off period (10 days) to think about your new contract—you can change your mind.
- Check your electricity contract at least annually and reconsider your plan and alternative plans in the market.



## 1.5 Retailers operating in SEQ

We identified 36 retailers on Energy Made Easy with plans for small customers in SEQ in 2022–23 (Table 1), which is 7 retailers fewer than in 2021–22. Nine retailers that had plans for small customers on Energy Made Easy in 2021–22 did not have plans available in 2022–23. However, 2 new retailers—Ampol Energy and Telstra Energy—entered the SEQ market in 2022–23.<sup>15</sup>

Of the 36 retailers, 35 retailers provided plans for residential customers, and 25 retailers provided plans for small business customers. Compared to 2021–22, there were 7 fewer retailers that provided residential plans and 9 fewer retailers that provided small business plans.

However, not all retailers had plans published in each quarter of 2022–23. Across residential and small business customers, 25 retailers had a standing offer and 22 retailers (though not exactly the same retailers who had a standing offer) had market offers available on Energy Made Easy in the June quarter of 2023.

Some authorised retailers sell energy under their own name and also own retail 'brands' that sell energy. For example, Powershop is the energy provider of Kogan Energy, and EnergyAustralia had previously published plans both under its own name and under On by EnergyAustralia. We include such retail 'brands' in our analysis in the same way as we include authorised retailers. This is because retail 'brands' may have retail strategies that are quite different to those of the authorised retailer and are likely to have an impact on competition.

<sup>15</sup> Our analysis is based on the most common tariffs and tariff combinations in SEQ (see section 2.1.1). Telstra Energy only had residential plans published in the September quarter of 2022. These plans were not generally available.

**Table 1 Retailers with residential and/or small business plans in SEQ, 2022–23**

Retailer	Plans offered		Retailer	Plans offered	
	Residential	Small business		Residential	Small business
1st Energy	✓	✓	Kogan Energy	✓	—
AGL	✓	✓	Mojo Power	✓	—
Alinta Energy	✓	✓	Momentum Energy	✓	✓
Amber Electric	✓	✓	Nectr	✓	—
Ampol Energy	✓	—	Next Business Energy	✓	✓
Blue NRG	—	✓	Origin Energy	✓	✓
Circular Energy	✓	✓	Ovo Energy	✓	—
CovaU	✓	✓	Powerdirect	✓	✓
Diamond Energy	✓	✓	Powershop	✓	✓
Dodo Power & Gas	✓	—	QEnergy	✓	✓
Electricity in a Box	✓	—	Radian Energy	✓	—
Elysian Energy	✓	✓	ReAmped Energy	✓	✓
EnergyAustralia	✓	✓	Red Energy	✓	✓
Energy Locals	✓	✓	Simply Energy	✓	✓
Enova Energy	✓	✓	Social Energy	✓	—
Future X Power	✓	✓	Sumo Power	✓	✓
GloBird Energy	✓	—	Tango Energy	✓	✓
Glow Power	✓	✓	Telstra Energy	✓	—

Source: *Energy Made Easy*; QCA analysis.

## 1.6 Scope of the report

The scope of the SEQ market monitoring report for 2022–23 is determined by the Minister's [direction notice](#). Our report provides information on:

- the SEQ retail electricity market, including which retailers provided plans to small customers in SEQ in 2022–23 (chapter 1)
- annual bills for a typical SEQ customer in 2022–23 as well as a longer-term bill analysis (chapter 2); bills of each quarter of 2022–23, by retailer, are provided in appendix A
- discounts, savings and incentives (chapter 3)
- fees and charges (chapter 4)
- trends in weighted bills since 2015–16 (chapter 5)
- customers receiving assistance with electricity bills (chapter 6)
- new types of retail tariff structures and retail electricity plans (chapter 7)
- the competitiveness of the SEQ retail electricity market (chapter 8)
- significant issues that emerged in the market (chapter 9).

Appendices to this report (published separately) cover among other things, the assumptions we made to calculate annual bills, and additional information on customers receiving assistance with their bills. Three fact sheets summarise the insights of this report and can help customers to understand the key findings.<sup>16</sup>

<sup>16</sup> QCA, *Market monitoring report 2022–23*, QCA website, 2023.

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## 2 ANNUAL BILLS

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### Key findings

We analysed standing and market offer bills for the typical SEQ customer on the most common tariffs and tariff combinations, based on the plans available on Energy Made Easy<sup>17</sup> and found the following:

- Bills for the typical SEQ customer increased substantially in 2022–23, especially market offer bills.
- Between the June quarters of 2022 and 2023, the average lowest market offer bill:
  - increased by between 30.0% and 32.5% for residential customers
  - increased by between 28.2% and 34.4% for small business customers.
- Only two retailers had residential flat rate market offers available in the June quarter of 2023 that were cheaper for the typical SEQ customer than their cheapest plan a year earlier. For the other tariffs and tariff combinations, none of the retailers had cheaper market offers available than in the June quarter of 2022.
- The cheapest market offer for most of the tariffs and tariff combinations that we cover had either a discount or a financial incentive attached to it in the June quarter of 2023.
- Standing offer bills were generally higher than market offer bills between 2015–16 and 2020–21. However, this was not always the case in 2021–22 and 2022–23.
- As wholesale energy costs increased in late 2021–22 and early 2022–23, most retailers increased the prices of their market offers—in some cases substantially. Standing offer prices, on the other hand, could not be increased to the same extent as market offer prices if a default market offer (DMO) place for that tariff or tariff combination.
- DMO prices are set by the Australian Energy Regulator (AER) annually and act as a cap on standing offer prices. The AER makes its final determination of the DMO to apply in the coming financial year by around May based on the data available at the time.

### 2.1 QCA methodology

#### 2.1.1 Most common tariffs and tariff combinations

The distinction between network and retail tariffs has become increasingly important as the SEQ retail electricity market continues to develop, although retailers have generally continued to offer similar types of tariffs that were available before deregulation.

##### Network tariffs

Most of the SEQ residential customers (more than 77%) were on one of the following network tariffs and tariff combinations:

- flat rate tariff
- combination of a flat rate tariff and a controlled load super economy tariff
- combination of a flat rate tariff and a controlled load economy tariff.

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<sup>17</sup> The bill values in this report are in nominal dollars. For more information, see appendix B (section B.11).

And as in previous years, most SEQ small business customers (more than 62%) were on one of the following network tariffs and tariff combinations:

- flat rate tariff
- time-of-use tariff.<sup>18</sup>

### Retail tariffs

Retail tariffs available across the National Electricity Market (NEM) include block, time-of-use, demand, fixed payment and subscription tariffs, as well as tariffs that pass through wholesale market spot prices. Data on the number of customers on specific plans, and the individual retail tariff that applies to them, is not generally available.<sup>19</sup>

A retailer's offer to customers is not only shaped by the structure of its costs, of which network costs are one input, but also by demand and the nature of competition. For example, a retailer may offer a simple fixed payment or tariff-based plan that has a differently structured distribution network tariff associated with it. In such a case, the retailer manages the risk associated with the mismatch between distribution network charges and the customer's retail offer in a similar way as the retailer manages the wholesale market risk for the customer.<sup>20</sup>

## 2.1.2 Typical SEQ customer

### Median consumption

We used the same methodology this year as in previous years—that is, based on the prices of each electricity plan, we calculated an annual bill, including goods and services tax (GST), for a customer with a median consumption level—the 'typical SEQ customer'.<sup>21</sup> Table 2 shows the median annual consumption levels of small customers in kilowatt hours (kWh). We used these consumption levels to calculate annual bills based on the information we obtained from Energy Made Easy on each standing and generally available market offer for SEQ customers—including (fixed) supply and (variable) usage charges—in each quarter of 2022–23.<sup>22</sup>

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<sup>18</sup> QCA analysis based on the latest data provided by Energex (unpublished). These were also the most common tariffs and tariff combinations that we reported on in our six previous annual market monitoring reports.

<sup>19</sup> The AEMC highlighted that the lack of data on customers on individual retail tariffs restricts policy-makers' ability to assess whether retail competition, and specific practices and elements of retail competition, are working in the long-term interest of consumers (AEMC, *2019 Retail Energy Competition Review* [final report], 2019, p 54).

<sup>20</sup> AEMC, *2019 Retail Energy Competition Review* [final report], 2019, pp 58–61.

<sup>21</sup> We used the median consumption, rather than the average consumption, when calculating bills. While averages are easy to calculate and interpret, they can be heavily influenced and skewed by a number of high or low values. For example, the average consumption may increase substantially if a few customers have an unusually large consumption during the year. However, this increase in the average consumption will not be representative of the actual consumption of the typical customer. The median, on the other hand, is not influenced by individual 'outliers' (high or low values). In terms of consumption, it is the consumption of the 'middle' (median) customer on a particular tariff, where half of all other customers use less electricity than this customer, and half use more. We consider that the median customer more closely represents the typical SEQ customer.

<sup>22</sup> The bills do not include the various electricity rebates paid out by the Queensland Government over time, including the annual asset ownership dividends. For an overview of the rebates and dividends paid to vulnerable households, other households and small businesses since 2017–18, see Queensland Government, *Tackling the cost of living*, Queensland Government website, updated 13 June 2023, viewed 6 July 2023. Appendix B (section B.1) provides more details on the plans included in our analysis. The median consumption of SEQ customers changes over time. In our previous market monitoring reports, we based our bill calculations on the latest median consumption data available at the time. Although median consumption levels have not changed significantly since we commenced monitoring the market, we have recalculated all the bills from 2015–16 to 2021–22 with the latest median consumption data (Table 2). This allows a direct comparison with the bills in 2022–23 and a comparison of how the bills have changed over time (sections 2.2.3, 2.3.3, 2.4.3, 2.5.3, 2.6.3 and appendix C).

**Table 2 Median annual consumption—most common tariffs and tariff combinations**

Customer type	Tariff / tariff combination	Median consumption per year (kWh)
Residential	Flat rate (tariff 11 / T8400)	4,096
	Flat rate (tariff 11 / T8400) + Controlled load super economy <sup>a</sup> (tariff 31 / T9000)	5,603
	Flat rate (tariff 11 / T8400) + Controlled load economy <sup>b</sup> (tariff 33 / T9100)	5,508
Small business	Flat rate (tariff 20 / T8500)	4,347
	Time of use (tariff 22 / T8800)	21,064

*a* Controlled load super economy is permanently available for a minimum of 8 hours per day, during time periods set at the absolute discretion of Energex.

*b* Controlled load economy is permanently available for a minimum of 18 hours per day, during time periods set at the absolute discretion of Energex.

Note: The parts in brackets indicate the retail tariff, followed by the underlying network tariff.

Sources: Energex, *Energex Network Tariff Guide, 1 July 2022 to 30 June 2023*, 2022, p 25; Energex, unpublished median consumption data for 2021–22.

As the bills in this report are calculated based on retailers' plans available on Energy Made Easy in 2022–23, they do not reflect the *actual* electricity bills customers in SEQ paid during 2022–23. Individual customers may still be on older plans that were published in previous years and their consumption may also have differed from the median consumption in Table 2.

#### Difference in residential versus small business consumption

Small customers are defined by the National Energy Retail Law (NERL) as those consuming less than 100 MWh of electricity per year.<sup>23</sup> However, in terms of consumption levels and patterns, small business customers are more diverse than residential customers. The type of business can have a material impact on consumption too. For example, a small office-based business operating during standard business hours will have a different consumption level and pattern to a restaurant that is open seven days a week with peak operating hours during the evening.<sup>24</sup>

Consumption is likely to be higher for residential customers who continue to work from home, and lower for small business customers that adjusted the way they operate following the coronavirus pandemic. We note that small business consumption is again slightly lower than in previous years. The AER considered that it is unlikely to see a full return to previous consumption trends as home-based work becomes standard practice for some people.<sup>25</sup> Further, the median consumption of residential customers shows strong seasonal effects, whereas that of small business customers is more stable across the year.<sup>26</sup>

#### Model annual usage for the DMO determination

Each year, the AER sets a maximum price that retailers can charge electricity customers on default contracts (standing offers). The DMO price is expressed as an annual bill based on annual usage

<sup>23</sup> NERL, section 5; National Energy Retail Regulations, section 7. Some jurisdictions have set different consumption thresholds from that specified in the NERL. For example, small electricity customers in South Australia are those consuming less than 160 MWh per year, while in Tasmania the threshold is 150 MWh per year (AER, *State of the energy market 2023*, 2023, p 219).

<sup>24</sup> ACCC, *Restoring electricity affordability and Australia's competitive advantage* [final report], 2018, pp 337–338; Energy Consumers Australia, *Analysis of small business retail energy bills in Australia* [final report, prepared by Alvis Consulting, with Energy Consumers Australia], December 2021, p 5; Energy Consumers Australia, *Analysis of small business retail energy bills in Australia* [final report, prepared by Alvis Consulting, with Energy Consumers Australia], December 2022, p 5.

<sup>25</sup> AER, *Default Market Offer prices—Options Paper on the methodology to be adopted for the 2022–23 determination (and subsequent years)*, 2021, p 65. In addition, we note that, at the network level, a large number of small business basic meter customers consuming more than 20 MWh per year were reassigned from the small business flat rate tariff (tariff 8500) to the small business wide inclining fixed tariff (tariff 6000) from 1 July 2020.

<sup>26</sup> ACCC, *Inquiry into the National Electricity Market*, June 2023, p 56.

amounts determined by the AER. Retailers also use this annual usage to compare their plans against the DMO in advertisements. These annual amounts have remained unchanged for residential customers in the Energex distribution area since the DMO was implemented in 2019:

- residential *without* controlled load: 4,600 kWh
- residential *with* controlled load: 4,400 kWh (general usage) + 1,900 kWh (controlled load usage).<sup>27</sup>

The annual usage amount for the third customer type—small business without controlled load—remained unchanged until the 2022–23 DMO determination, when the AER lowered it from 20,000 kWh to 10,000 kWh, as it considered this to be a more representative benchmark.<sup>28</sup>

### 2.1.3 Bills for each quarter, consolidated findings and longer-term trends

In sections 2.2 to 2.7, we present our consolidated findings for 2022–23 and provide a longer-term bill analysis. We assess the bills in the June quarter of 2023 and compare them to the bills in the June quarter of 2022 to assess how the bills changed within a year. We also compare and assess the bills in each quarter of 2022–23 against the trends since 2015–16 to put the recent bills into a longer-term context. Detailed tables with annual bills for each quarter of 2022–23, and for each retailer, are included in appendix A. All bill values have been rounded to the next dollar.

### 2.1.4 Datasets

For stakeholders seeking more detail and/or wishing to calculate bills based on different consumption levels (such as for small business tariffs), datasets with the plans we used in our analysis are available on request. Table 3 shows how stakeholders can calculate annual bills.

**Table 3 Calculation of annual bills**

<b>Supply costs</b>	+	<b>Cost of electricity consumed</b>	+	<b>Recurring fees</b>	–	<b>Incentives and discounts</b>	+	<b>GST</b>
daily supply charge × 365.25 days		usage charge × customer's annual consumption level		where applicable		where applicable		10%

<sup>27</sup> The AER does not distinguish between economy and super economy controlled load tariffs, which are commonly used by SEQ customers. For more information, see appendix B (section B.6).

<sup>28</sup> AER, *Default market offer prices 2022–23* [final determination], 2022, pp 2, 8, 51, 66.

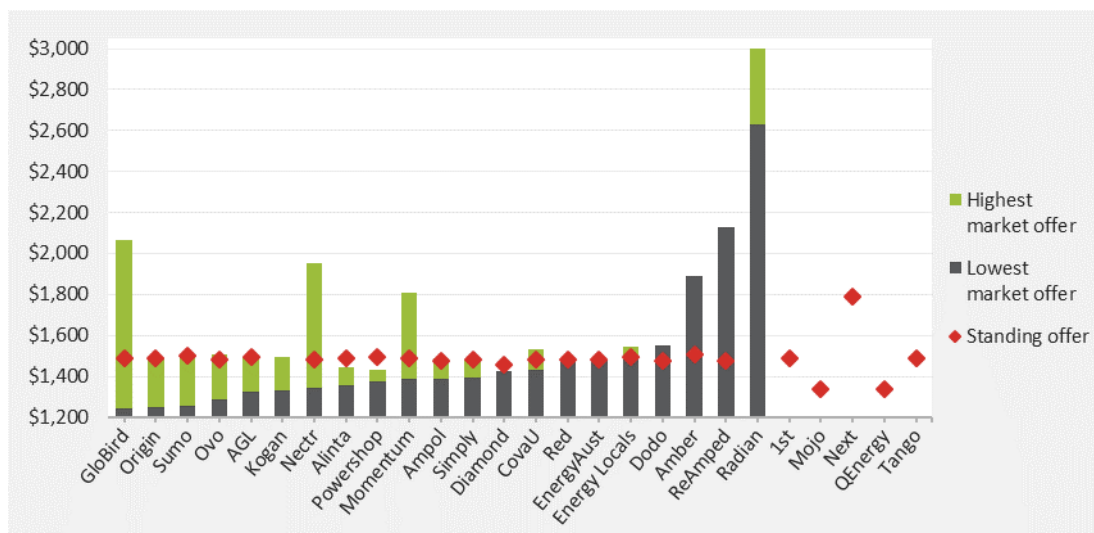


## 2.2 Residential flat rate offers

### 2.2.1 Bills in June quarter 2023

In the June quarter of 2023, 26 retailers had plans for the residential flat rate tariff on Energy Made Easy. Of these retailers, 24 had a standing offer and 21 had at least one market offer. Figure 1 shows the bills, by retailer, for a typical SEQ customer.

**Figure 1 Annual bills for a typical SEQ residential flat rate customer, June quarter 2023**



Notes: Retailers are arranged according to their lowest market offer bill (in ascending order). Not every retailer had both standing and market offers. A table with detailed bills, by retailer, is included in appendix A (section A.2.4). Sources: Energy Made Easy; QCA analysis.

In some instances, market offer bills were higher than standing offer bills. In the June quarter of 2023, for a typical SEQ customer on a residential flat rate tariff:

- standing offer bills ranged from \$1,341 (Mojo Power; QEnergy) to \$1,790 (Next Business Energy)
- market offer bills ranged from \$1,246 (GloBird Energy) to \$3,000 (Radian Energy).

GloBird Energy's GloSave Residential (Flat Rate) Energex plan resulted in the lowest market offer bill. The plan included a 1% direct debit discount off the bill when customers paid their bill on time by direct debit, and a 2% pay on time discount off the bill when customers paid their bill on time.

### 2.2.2 Change from June quarter 2022 to June quarter 2023

#### Decrease in number of retailers

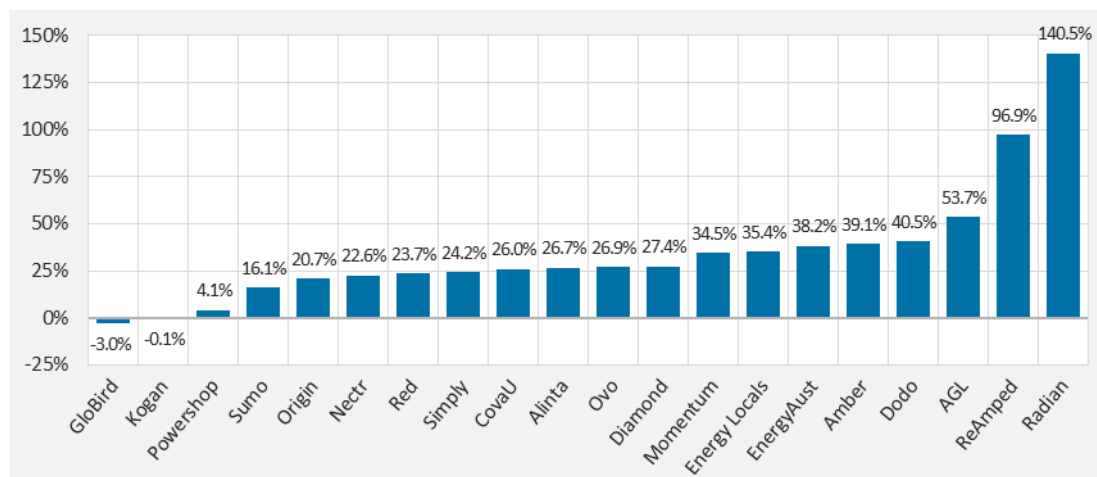
From the June quarter of 2022 to the June quarter of 2023, the number of retailers with plans for residential flat rate customers decreased by 14, to 26. In the June quarter of 2022, 40 retailers had plans for residential flat rate customers on Energy Made Easy. Of these, 34 had a standing offer and 34 had at least one market offer.<sup>29</sup> We note that 10 fewer retailers (24) had a standing offer available in the June quarter of 2023, and 21 retailers had at least one generally available market offer for SEQ customers—13 fewer than in the June quarter of 2022.

<sup>29</sup> QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, p 10.

### Increase in lowest market offer bill

The average lowest market offer bill increased by 30% from the June quarter of 2022 (\$1,152) to the June quarter of 2023 (\$1,498), based on the plans retailers had available for residential flat rate customers in those two quarters.<sup>30</sup> Only 2 retailers had slightly cheaper market offers available in the June quarter of 2023 than a year before, while most retailers increased their lowest market offer—in some instances significantly. Figure 2 shows the percentage change in each retailer's lowest residential flat rate market offer bill from the June quarter of 2022 to the June quarter of 2023.

**Figure 2 Change in lowest market offer bill for typical SEQ residential flat rate customers, by retailer, June quarter 2022 to June quarter 2023**

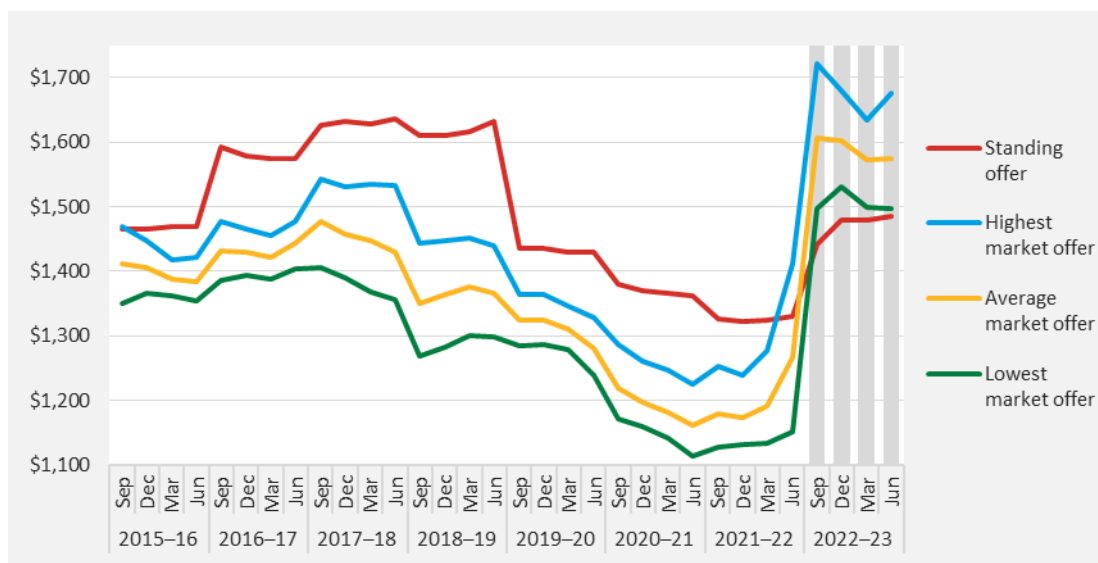


*Note: Not every retailer had market offers in both quarters—one retailer did not have any in the June quarter of 2022, and 14 retailers did not have any in the June quarter of 2023.*  
*Sources: Energy Made Easy; QCA analysis.*

### 2.2.3 Longer-term trends

Figure 3 shows the trend in bills based on residential flat rate standing offers and generally available market offers between 2015–16 and 2022–23. The bills are expressed in nominal dollars—that is, they have not been adjusted for the effect of inflation.

<sup>30</sup> We have recalculated the bill values from the previous year with the consumption level in Table 2 to allow a direct comparison. Changes in retailers' lowest market offer bills from quarter to quarter during 2022–23 are shown in appendix A (section A.2.5). We excluded plans from our analysis that had VPP (virtual power plant) credits or battery subsidies attached, as these plans required a significant upfront investment, which would not be reflected in the (often very low) bills resulting from these plans, and the total value of the incentives or credits was not clear in some instances (see appendix B, section B.12). Bills are in nominal dollars.

**Figure 3 Average annual bills for a typical SEQ residential flat rate customer, 2015–16 to 2022–23**

Notes: Annual bill in nominal dollars for each quarter, based on median consumption of a residential flat rate customer (Table 2). A table with bill values for each quarter is available in appendix C.

Sources: Energy Made Easy; QCA analysis.

The average market offer bill—for the typical SEQ customer—trended downwards following Alinta Energy's entry into the SEQ market in August 2017. However, this trend did not continue in 2021–22 and 2022–23 as wholesale energy costs increased substantially and started to translate into higher retail prices. In the past year (June quarter of 2022 to June quarter of 2023):

- the average highest market offer bill increased by 18.7%
- the average lowest market offer bill increased by 30.0%.

Market offer bills in 2022–23 were around their highest levels (in nominal terms) since retail electricity prices for residential and small business customers were deregulated in SEQ in 2016. The average lowest market offer bill reached \$1,532 in the December quarter of 2022, which is 9.0% above the previous peak of \$1,405 in the September quarter of 2017. Over that period, the Brisbane All Groups CPI increased by 18.6%<sup>31</sup>, implying that in real inflation-adjusted terms, bills in 2022–23 were substantially lower than in the previous peak in 2017–18.

The average standing offer bill—for the typical SEQ customer—trended downwards following the introduction of the DMO on 1 July 2019. For 2022–23, the AER set higher DMO prices, given that data available at the time of its final determination (May 2022) showed that contract prices had increased and this flowed through to its DMO wholesale cost calculations.<sup>32</sup> However, wholesale energy costs increased more in late 2021–22 and early 2022–23 than the AER had anticipated. Because the DMO set in May 2022 put a cap on standing offer prices, standing offer bills could not increase to the same extent as market offer bills did. As a result, the average market offer bills exceeded the average standing offer bill in 2022–23.

<sup>31</sup> Australian Bureau of Statistics (ABS), 'Tables 1 and 2. CPI: All Groups, Index Numbers and Percentage Changes' [time series spreadsheet], *Consumer Price Index, Australia*, September quarter 2023, ABS website, accessed 23 November 2023.

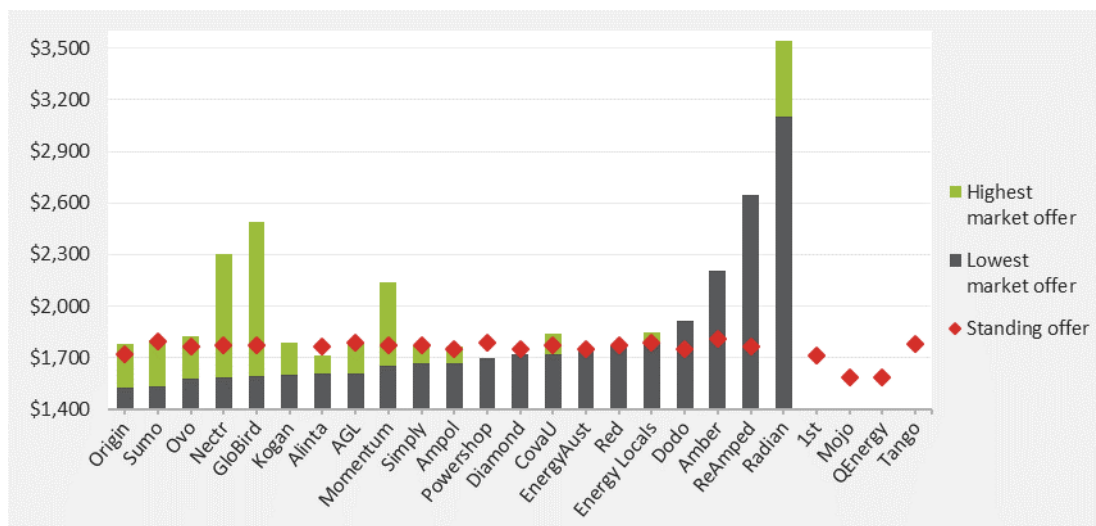
<sup>32</sup> AER, *Default market offer prices 2022–23* [final determination], 2022, p 6.

## 2.3 Residential flat rate offers with controlled load super economy

### 2.3.1 Bills in June quarter 2023

In the June quarter of 2023, 25 retailers had plans on Energy Made Easy that combined a residential flat rate tariff with a controlled load super economy tariff. Of these retailers, 23 had a standing offer and 21 had at least one market offer. Figure 4 shows the bills, by retailer, for a typical SEQ customer.

**Figure 4 Annual bills for a typical SEQ residential flat rate with controlled load super economy customer, June quarter 2023**



Notes: Retailers are arranged according to their lowest market offer bill (in ascending order). Not every retailer had both standing and market offers. A table with detailed bills, by retailer, is included in appendix A (section A.3.4). Sources: Energy Made Easy; QCA analysis.

In some instances, market offer bills were higher than standing offer bills. In the June quarter of 2023, for a typical SEQ customer on this tariff combination:

- standing offer bills ranged from \$1,586 (Mojo Power; QEnergy) to \$1,810 (Amber Electric)
- market offer bills ranged from \$1,525 (Origin Energy) to \$3,541 (Radian Energy).

Origin Energy’s Origin Advantage Variable ePlus (FiftyUp Club) plan, Origin Advantage Variable ePlus (One Big Switch) plan and Origin Advantage Variable ePlus (9Saver) plan, which resulted in the lowest market offer bill, had a \$150 account credit attached that was applied to the account if the plan was still active on 1 July. The plans were only available to customers who opted to receive e-billing/correspondence via email on sign-up, but customers could cancel this option at any time and still receive the plan.

### 2.3.2 Change from June quarter 2022 to June quarter 2023

#### Decrease in number of retailers

From the June quarter of 2022 to the June quarter of 2023, the number of retailers with plans for customers on this tariff combination decreased by 14, to 25. In the June quarter of 2022, 39 retailers had plans on Energy Made Easy for customers on this tariff combination. Of these, 31 had a standing offer and 33 had at least one market offer.<sup>33</sup> We note that 8 fewer retailers (23)

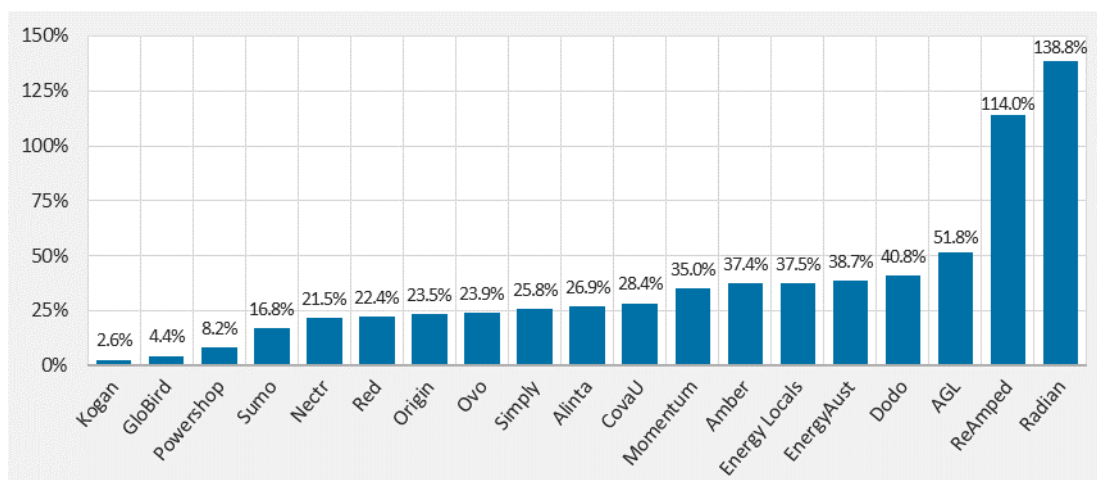
<sup>33</sup> QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, p 13.

had a standing offer available in the June quarter of 2023, and 21 retailers had at least one generally available market offer for SEQ customers—12 fewer than in the June quarter of 2022.

**Increase in lowest market offer bill**

The average lowest market offer bill increased by 32% from the June quarter of 2022 (\$1,369) to the June quarter of 2023 (\$1,808), based on the plans retailers had available for residential flat rate with controlled load super economy customers in those two quarters.<sup>34</sup> None of the retailers had cheaper market offers available in the June quarter of 2023 than a year before, and some even increased their cheapest market offer substantially. Figure 5 shows the percentage change in each retailer's lowest market offer bill for this tariff combination from the June quarter of 2022 to the June quarter of 2023.

**Figure 5 Change in lowest market offer bill for typical SEQ residential flat rate with controlled load super economy customers, by retailer, June quarter 2022 to June quarter 2023**



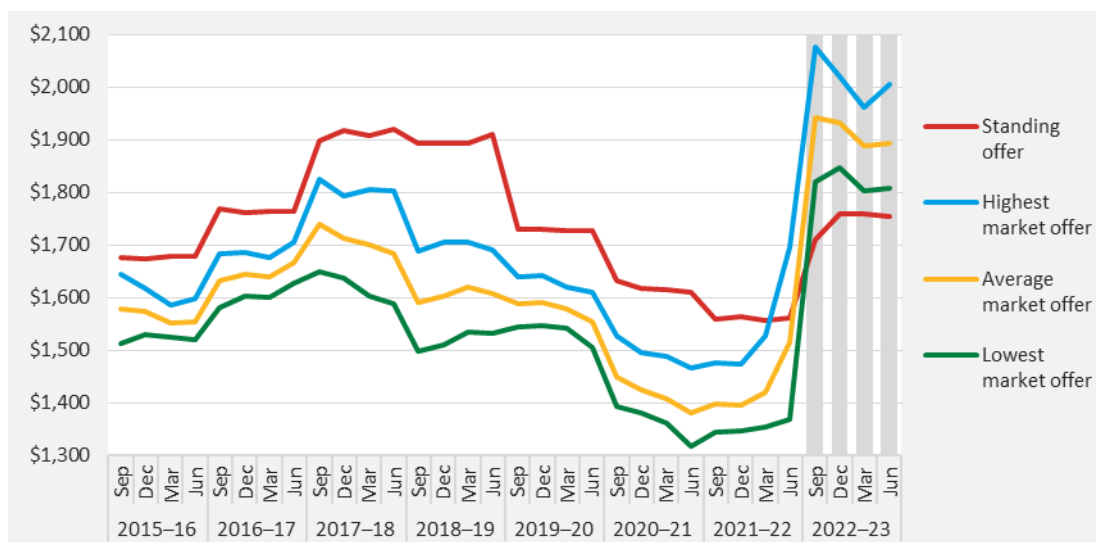
*Note: Not every retailer had market offers in both quarters—2 retailers did not have any in the June quarter of 2022, and 14 retailers did not have any in the June quarter of 2023. Sources: Energy Made Easy; QCA analysis.*

**2.3.3 Longer-term trends**

Figure 6 shows the trend in residential flat rate with controlled load super economy standing and generally available market offer bills between 2015–16 and 2022–23. The bills are expressed in nominal dollars—that is, they have not been adjusted for the effect of inflation.

<sup>34</sup> We have recalculated the bill values from the previous year with the consumption level in Table 2 to allow a direct comparison. Changes in retailers' lowest market offer bills from quarter to quarter during 2022–23 are shown in appendix A (section A.3.5). We excluded plans from our analysis that had VPP credits or battery subsidies attached, as these plans required a significant upfront investment, which would not be reflected in the (often very low) bills resulting from these plans, and the total value of the incentives or credits was not clear in some instances (see appendix B, section B.12). Bills are in nominal dollars.

**Figure 6 Average annual bills for a typical SEQ residential flat rate with controlled load super economy customer, 2015–16 to 2022–23**



*Notes: Annual bill in nominal dollars for each quarter, based on median consumption of a residential flat rate with controlled load super economy customer (Table 2). A table with bill values for each quarter is available in appendix C. Sources: Energy Made Easy; QCA analysis.*

The average market offer bill—for the typical SEQ customer—trended downwards following Alinta Energy’s entry into the SEQ market in August 2017. However, this trend did not continue in 2021–22 and 2022–23 as wholesale energy costs increased substantially and started to translate into higher retail prices. In the past year (June quarter of 2022 to June quarter of 2023):

- the average highest market offer bill increased by 18.4%
- the average lowest market offer bill increased by 32.0%.

Market offer bills in 2022–23 were around their highest levels (in nominal terms) since retail electricity prices for residential and small business customers were deregulated in SEQ in 2016. The average lowest market offer bill reached \$1,846 in the December quarter of 2022, which is 12.0% above the previous peak of \$1,649 in the September quarter of 2017. Over that period, the Brisbane All Groups CPI increased by 18.6%<sup>35</sup>, implying that in real inflation-adjusted terms, bills in 2022–23 were substantially lower than in the previous peak in 2017–18.

The average standing offer bill—for the typical SEQ customer—trended downwards following the introduction of the DMO on 1 July 2019. For 2022–23, the AER set higher DMO prices, given that data available at the time of its final determination (May 2022) showed that contract prices had increased and this flowed through to its DMO wholesale cost calculations.<sup>36</sup> However, wholesale energy costs increased more in late 2021–22 and early 2022–23 than the AER had anticipated. Because the DMO set in May 2022 put a cap on standing offer prices, standing offer bills could not increase to the same extent as market offer bills did. As a result, the average market offer bills exceeded the average standing offer bill in 2022–23.

<sup>35</sup> Australian Bureau of Statistics (ABS), 'Tables 1 and 2. CPI: All Groups, Index Numbers and Percentage Changes' [time series spreadsheet], *Consumer Price Index, Australia*, September quarter 2023, ABS website, accessed 23 November 2023.

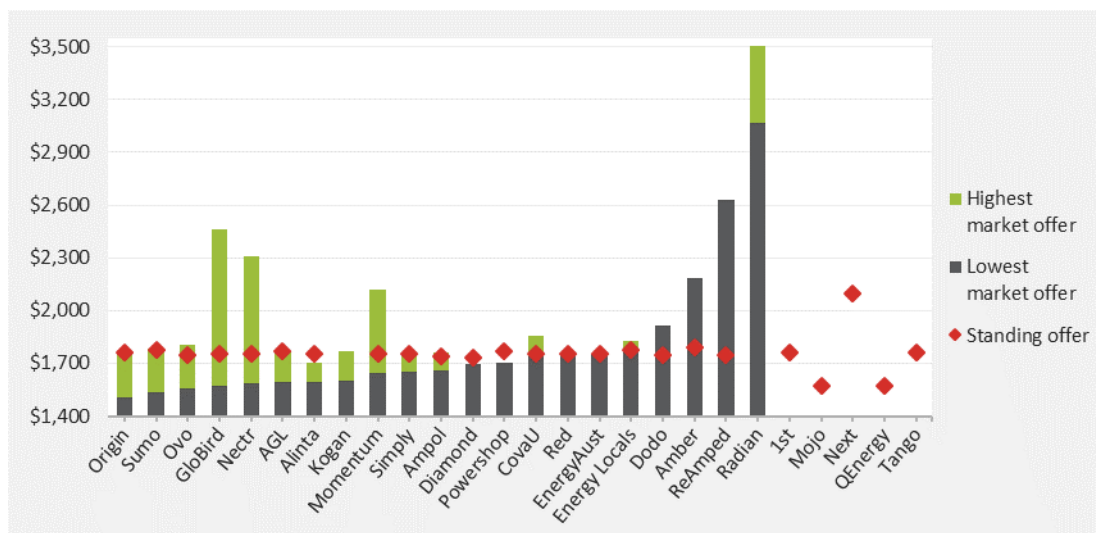
<sup>36</sup> AER, *Default market offer prices 2022–23* [final determination], 2022, p 6.

## 2.4 Residential flat rate offers with controlled load economy

### 2.4.1 Bills in June quarter 2023

In the June quarter of 2023, 26 retailers had plans on Energy Made Easy that combined a residential flat rate tariff with a controlled load economy tariff. Of these retailers, 24 had a standing offer and 21 had at least one market offer. Figure 7 shows the bills, by retailer, for a typical SEQ customer.

**Figure 7 Annual bills for a typical SEQ residential flat rate with controlled load economy customer, June quarter 2023**



Notes: Retailers are arranged according to their lowest market offer bill (in ascending order). Not every retailer had both standing and market offers. A table with detailed bills, by retailer, is included in appendix A (section A.4.4). Sources: Energy Made Easy; QCA analysis.

In some instances, market offer bills were higher than standing offer bills. In the June quarter of 2023, for a typical SEQ customer on this tariff combination:

- standing offer bills ranged from \$1,570 (Mojo Power; QEnergy) to \$2,098 (Next Business Energy)
- market offer bills ranged from \$1,507 (Origin Energy) to \$3,504 (Radian Energy).

Origin Energy’s Origin Advantage Variable ePlus (FiftyUp Club) plan, Origin Advantage Variable ePlus (One Big Switch) plan and Origin Advantage Variable ePlus (9Saver) plan, which resulted in the lowest market offer bill, had a \$150 account credit attached that was applied to the account if the plan was still active on 1 July. The plans were only available to customers who opted to receive e-billing/correspondence via email on sign-up, but customers could cancel this option at any time and still receive the plan.

### 2.4.2 Change from June quarter 2022 to June quarter 2023

#### Decrease in number of retailers

From the June quarter of 2022 to the June quarter of 2023, the number of retailers with plans for customers on this tariff combination decreased by 6, to 26. In the June quarter of 2022, 32 retailers had plans on Energy Made Easy for customers on this tariff combination. Of these retailers, 27 had a standing offer and 28 had at least one market offer.<sup>37</sup> We note that 3 fewer

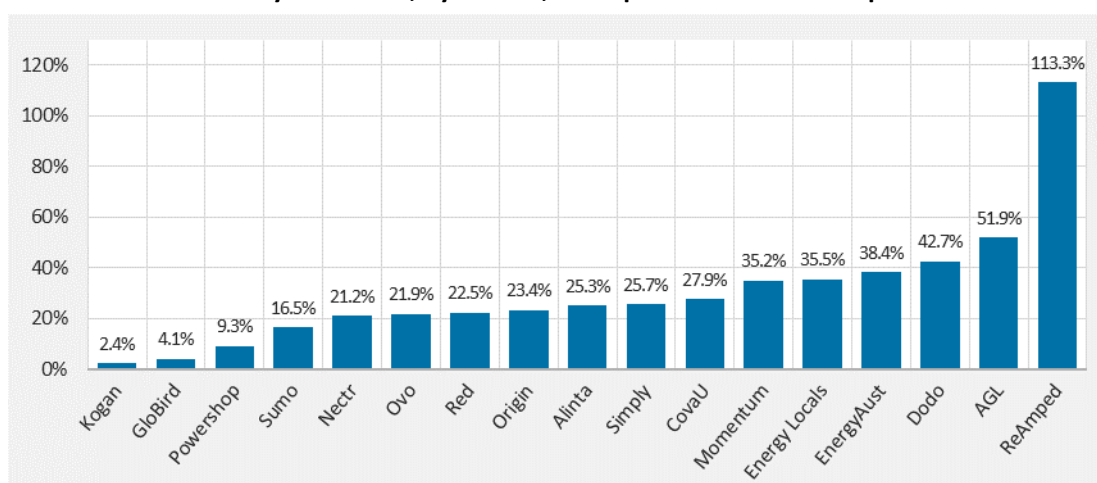
<sup>37</sup> QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, p 16.

retailers (24) had a standing offer available in the June quarter of 2023, and 21 retailers had at least one generally available market offer for SEQ customers—7 fewer than in the June quarter of 2022.

**Increase in lowest market offer bill**

The average lowest market offer bill increased by 32.5% from the June quarter of 2022 (\$1,356) to the June quarter of 2023 (\$1,797) based on the plans retailers had available for residential flat rate with controlled load economy customers in those two quarters.<sup>38</sup> None of the retailers had cheaper market offers available in the June quarter of 2023 than a year before, and some even increased their cheapest market offer substantially. Figure 8 shows the percentage change in each retailer’s lowest market offer bill for this tariff combination from the June quarter of 2022 to the June quarter of 2023.

**Figure 8 Change in lowest market offer bill for typical SEQ residential flat rate with controlled load economy customers, by retailer, June quarter 2022 to June quarter 2023**



*Note: Not every retailer had market offers in both quarters—4 retailers did not have any in the June quarter of 2022, and 11 retailers did not have any in the June quarter of 2023. Sources: Energy Made Easy; QCA analysis.*

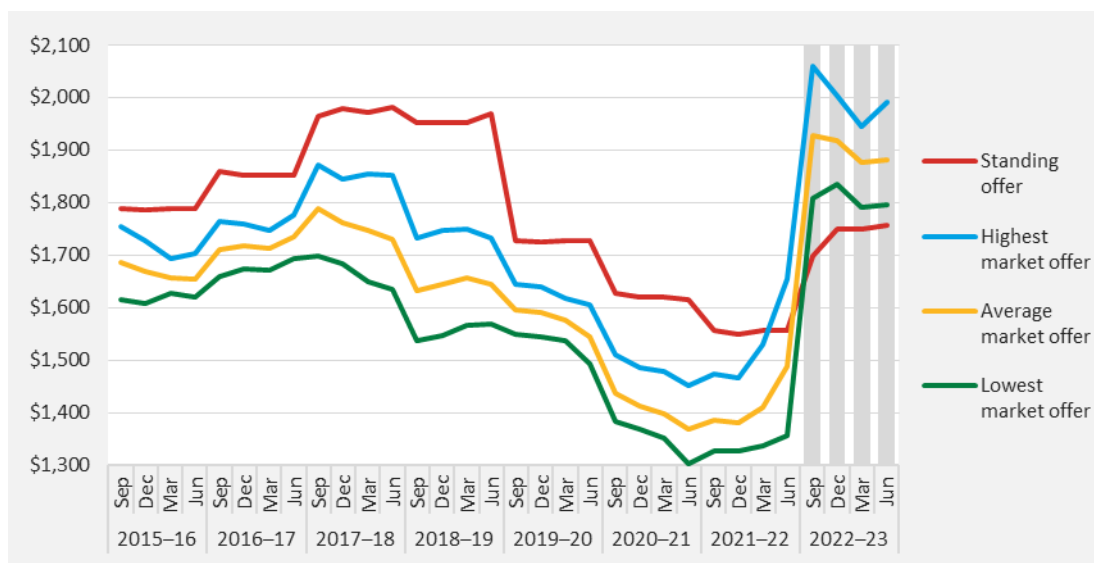
**2.4.3 Longer-term trends**

Figure 9 shows the trend in residential flat rate with controlled load economy standing and generally available market offer bills between 2015–16 and 2022–23. The bills are expressed in nominal dollars—that is, they have not been adjusted for the effect of inflation.

<sup>38</sup> We have recalculated the bill values from the previous year with the consumption level in Table 2 to allow a direct comparison. Changes in retailers’ lowest market offer bills from quarter to quarter during 2022–23 are shown in appendix A (section A.4.5). We excluded plans from our analysis that had VPP credits or battery subsidies attached, as these plans required a significant upfront investment, which would not be reflected in the (often very low) bills resulting from these plans, and the total value of the incentives or credits was not clear in some instances (see appendix B, section B.12). Bills are in nominal dollars.



**Figure 9 Average annual bills for a typical SEQ residential flat rate with controlled load economy customer, 2015–16 to 2022–23**



Notes: Annual bill in nominal dollars for each quarter, based on median consumption of a residential flat rate with controlled load economy customer (Table 2). A table with bill values for each quarter is available in appendix C. Sources: Energy Made Easy; QCA analysis.

The average market offer bill—for the typical SEQ customer—trended downwards following Alinta Energy's entry into the SEQ market in August 2017. However, this trend did not continue in 2021–22 and 2022–23 as wholesale energy costs increased substantially and started to translate into higher retail prices. In the past year (June quarter of 2022 to June quarter of 2023):

- the average highest market offer bill increased by 20.5%
- the average lowest market offer bill increased by 32.5%.

Market offer bills in 2022–23 were around their highest levels (in nominal terms) since retail electricity prices for residential and small business customers were deregulated in SEQ in 2016. The average lowest market offer bill reached \$1,834 in the December quarter of 2022, which is 7.9% above the previous peak of \$1,699 in the September quarter of 2017. Over that period, the Brisbane All Groups CPI increased by 18.6%<sup>39</sup>, implying that in real inflation-adjusted terms, bills in 2022–23 were substantially lower than in the previous peak in 2017–18.

The average standing offer bill—for the typical SEQ customer—trended downwards following the introduction of the DMO on 1 July 2019. For 2022–23, the AER set higher DMO prices, given that data available at the time of its final determination (May 2022) showed that contract prices had increased and this flowed through to its DMO wholesale cost calculations.<sup>40</sup> However, wholesale energy costs increased more in late 2021–22 and early 2022–23 than the AER had anticipated. Because the DMO set in May 2022 put a cap on standing offer prices, standing offer bills could not increase to the same extent as market offer bills did. As a result, the average market offer bills exceeded the average standing offer bill in 2022–23.

<sup>39</sup> Australian Bureau of Statistics (ABS), 'Tables 1 and 2. CPI: All Groups, Index Numbers and Percentage Changes' [time series spreadsheet], *Consumer Price Index, Australia*, September quarter 2023, ABS website, accessed 23 November 2023.

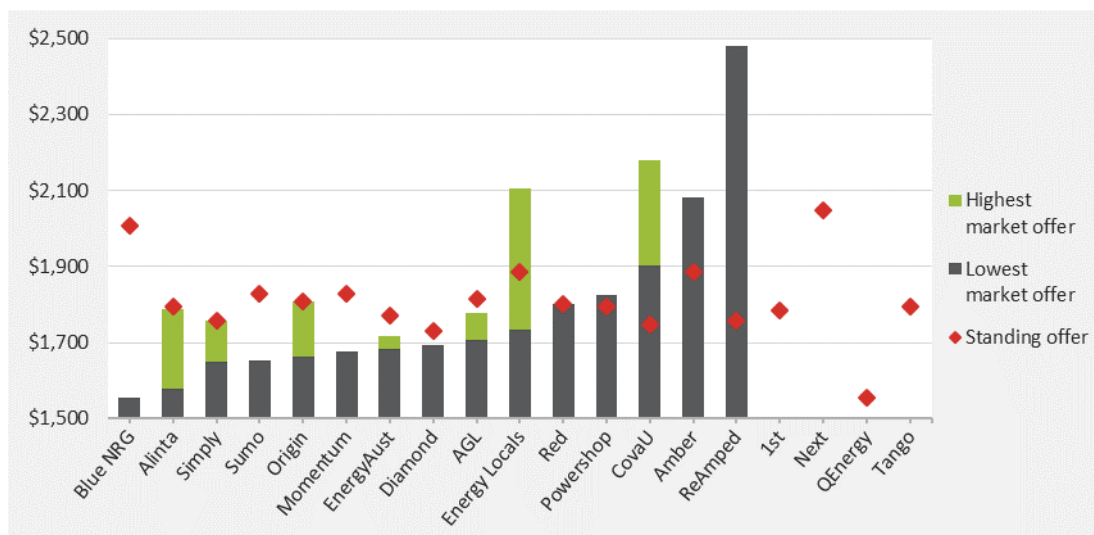
<sup>40</sup> AER, *Default market offer prices 2022–23* [final determination], 2022, p 6.

## 2.5 Small business flat rate offers

### 2.5.1 Bills in June quarter 2023

In the June quarter of 2023, 19 retailers had small business flat rate plans on Energy Made Easy. Of these retailers, all 19 had a standing offer and 15 had at least one market offer. Figure 10 shows the bills, by retailer, for a typical SEQ customer.

**Figure 10 Annual bills for a typical SEQ small business flat rate customer, June quarter 2023**



Notes: Retailers are arranged according to their lowest market offer bill (in ascending order). Not every retailer had both standing and market offers. A table with detailed bills, by retailer, is included in appendix A (section A.5.4). Sources: Energy Made Easy; QCA analysis.

Some market offer bills were higher than standing offer bills. In the June quarter of 2023, for a typical SEQ customer on a small business flat rate tariff:

- standing offer bills ranged from \$1,555 (QEnergy) to \$2,049 (Next Business Energy)
- market offer bills ranged from \$1,555 (Blue NRG) to \$2,482 (ReAmped Energy).

Blue NRG's four Blue Biz Star plans (tariffs 8500, 8520, 8550, 8570), which resulted in the lowest market offer bill, did not have any discounts or incentives attached.

### 2.5.2 Change from June quarter 2022 to June quarter 2023

#### Decrease in number of retailers

From the June quarter of 2022 to the June quarter of 2023, the number of retailers with small business flat rate plans decreased by 14, to 19. In the June quarter of 2022, 33 retailers had small business flat rate plans on Energy Made Easy. Of these retailers, 27 had a standing offer and 29 had at least one market offer.<sup>41</sup> We note that 8 fewer retailers (19) had a standing offer available in the June quarter of 2023, and 15 retailers had at least one generally available market offer for SEQ customers—14 fewer than in the June quarter of 2022.

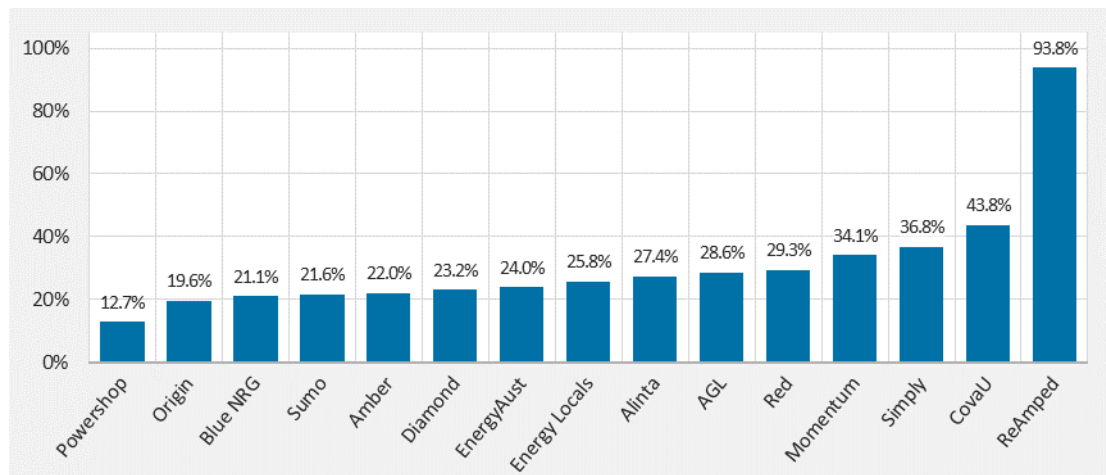
#### Increase in lowest market offer bill

The average lowest market offer bill increased by 28.2% from the June quarter of 2022 (\$1,388) to the June quarter of 2023 (\$1,779), based on the plans retailers had available for small business

<sup>41</sup> QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, p 19.

flat rate customers in those two quarters.<sup>42</sup> None of the retailers had cheaper market offers available in the June quarter of 2023 than a year before, and some even increased their cheapest market offer substantially. Figure 11 shows the percentage change in each retailer's lowest market offer bill for customers on small business flat rate offers from the June quarter of 2022 to the June quarter of 2023.

**Figure 11 Change in lowest market offer bill for typical SEQ small business flat rate customers, by retailer, June quarter 2022 to June quarter 2023**



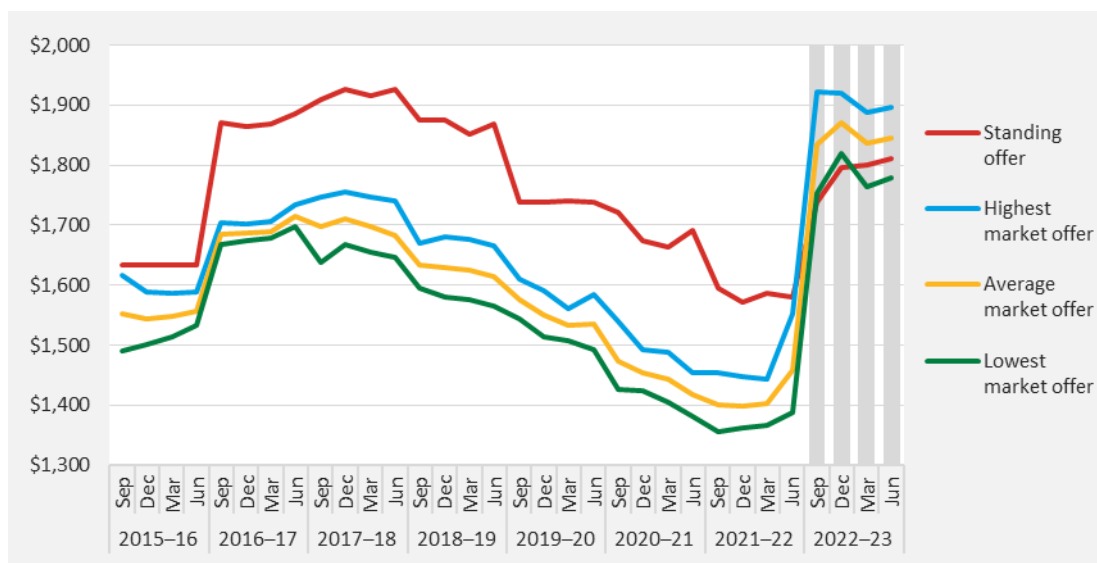
Note: 14 retailers that had market offers in the June quarter of 2022 did not have any in the June quarter of 2023. Sources: Energy Made Easy; QCA analysis.

### 2.5.3 Longer-term trends

Figure 12 shows the trend in small business flat rate standing and generally available market offer bills between 2015–16 and 2022–23. The bills are expressed in nominal dollars—that is, they have not been adjusted for the effect of inflation.

<sup>42</sup> We have recalculated the bill values from the previous year with the consumption level in Table 2 to allow a direct comparison. Changes in retailers' lowest market offer bills from quarter to quarter during 2022–23 are shown in appendix A (section A.5.5). Bills are in nominal dollars.

**Figure 12 Average annual bills for a typical SEQ small business flat rate customer, 2015–16 to 2022–23**



Notes: Annual bill in nominal dollars for each quarter, based on median consumption of a small business flat rate customer (Table 2). A table with bill values for each quarter is available in appendix C.

Sources: Energy Made Easy; QCA analysis.

The average market offer bill—for the typical SEQ customer—trended downwards following Alinta Energy's entry into the SEQ market in August 2017. However, this trend did not continue in 2021–22 and 2022–23 as wholesale energy costs increased substantially and started to translate into higher retail prices. In the past year (June quarter of 2022 to June quarter of 2023):

- the average highest market offer bill increased by 22.1%
- the average lowest market offer bill increased by 28.2%.

Market offer bills in 2022–23 were around their highest levels (in nominal terms) since retail electricity prices for residential and small business customers were deregulated in SEQ in 2016. The average lowest market offer bill reached \$1,821 in the December quarter of 2022, which is 7.3% above the previous peak of \$1,697 in the June quarter of 2017. Over that period, the Brisbane All Groups CPI increased by 19.0%<sup>43</sup>, implying that in real inflation-adjusted terms, bills in 2022–23 were substantially lower than in the previous peak in 2016–17.

The average standing offer bill—for the typical SEQ customer—trended downwards following the introduction of the DMO on 1 July 2019. For 2022–23, the AER set higher DMO prices, given that data available at the time of its final determination (May 2022) showed that contract prices had increased and this flowed through to its DMO wholesale cost calculations.<sup>44</sup> However, wholesale energy costs increased more in late 2021–22 and early 2022–23 than the AER had anticipated. Because the DMO set in May 2022 put a cap on standing offer prices, standing offer bills could not increase to the same extent as market offer bills did. As a result, the average market offer bill and the highest market offer bill (and for the first two quarters even the lowest market offer bill) exceeded the average standing offer bill in 2022–23.

<sup>43</sup> Australian Bureau of Statistics (ABS), 'Tables 1 and 2. CPI: All Groups, Index Numbers and Percentage Changes' [time series spreadsheet], *Consumer Price Index, Australia*, September quarter 2023, ABS website, accessed 23 November 2023.

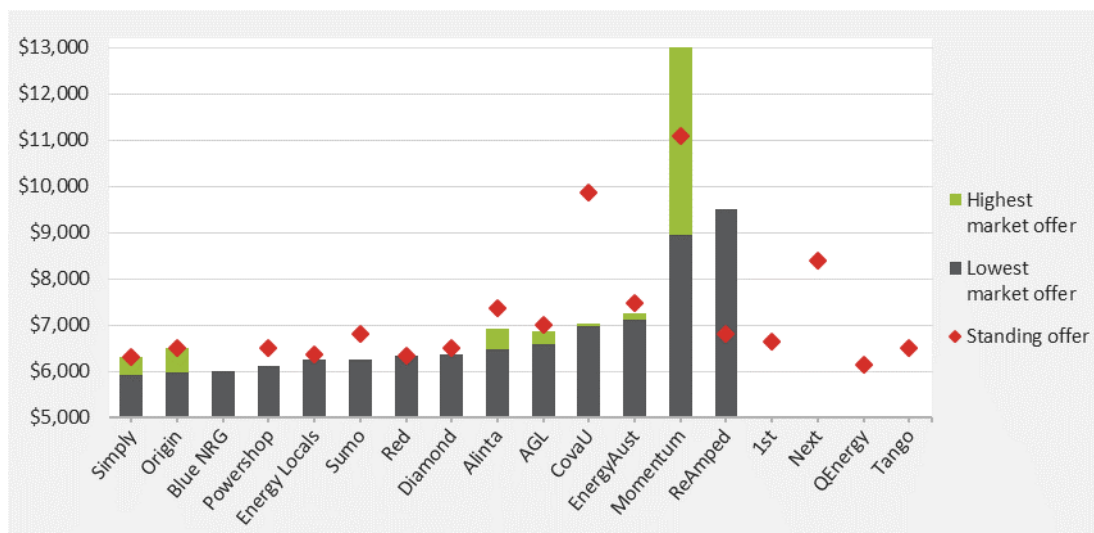
<sup>44</sup> AER, *Default market offer prices 2022–23* [final determination], 2022, p 6.

## 2.6 Small business time-of-use offers

### 2.6.1 Bills in June quarter 2023

In the June quarter of 2023, 18 retailers had small business time-of-use plans on Energy Made Easy. Of these retailers, 17 had a standing offer and 14 had at least one market offer. Figure 13 shows the bills, by retailer, for a typical SEQ customer.

**Figure 13 Annual bills for a typical SEQ small business time-of-use customer, June quarter 2023**



Notes: Retailers are arranged according to their lowest market offer bill (in ascending order). Not every retailer had both standing and market offers. A table with detailed bills, by retailer, is included in appendix A (section A.6.4).

Sources: Energy Made Easy; QCA analysis.

Market offer bills were generally lower than standing offer bills. In the June quarter of 2023, for a typical SEQ customer on a small business time-of-use tariff:

- standing offer bills ranged from \$6,137 (QEnergy) to \$11,103 (Momentum Energy)
- market offer bills ranged from \$5,926 (Simply Energy) to \$13,015 (Momentum Energy).

Simply Energy's QLD Business Saver 6% discount elec plan, which resulted in the lowest market offer bill, had a guaranteed 6% discount off the bill attached.

### 2.6.2 Change from June quarter 2022 to June quarter 2023

#### Decrease in number of retailers

From the June quarter of 2022 to the June quarter of 2023, the number of retailers with small business time-of-use plans decreased by 11, to 18. In the June quarter of 2022, 29 retailers had small business time-of-use plans on Energy Made Easy. Of these retailers, 22 had a standing offer and 27 had at least one market offer.<sup>45</sup> We note that 5 fewer retailers (17) had a standing offer available in the June quarter of 2023, and 14 retailers had at least one generally available market offer for SEQ customers—13 fewer than in the June quarter of 2022.

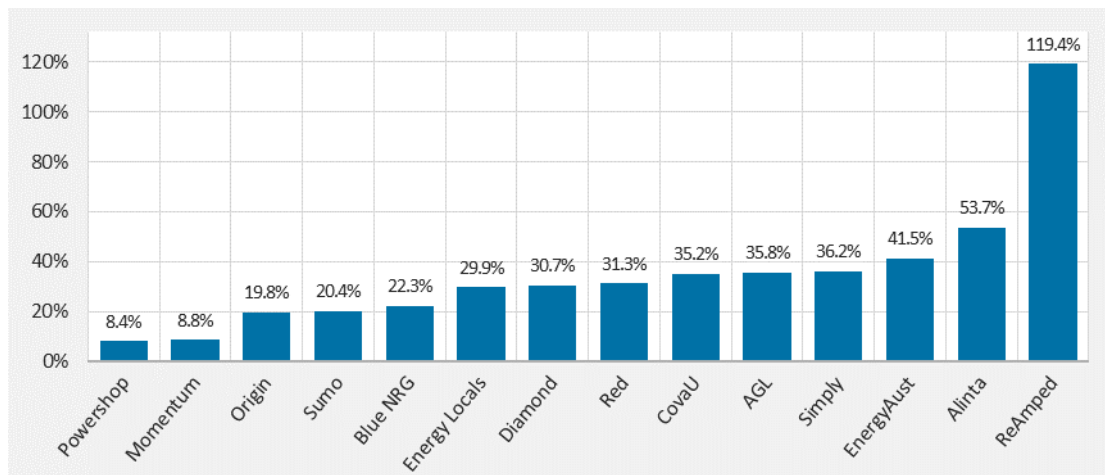
#### Increase in lowest market offer bill

The average lowest market offer bill increased by 34.4% from the June quarter of 2022 (\$5,046) to the June quarter of 2023 (\$6,780) based on the plans retailers had available for small business

<sup>45</sup> QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, p 22.

time-of-use customers in those two quarters.<sup>46</sup> None of the retailers had cheaper market offers available in the June quarter of 2023 than a year before, and some even increased their cheapest market offer substantially. Figure 14 shows the percentage change in each retailer's lowest market offer bill for customers on small business time-of-use offers from the June quarter of 2022 to the June quarter of 2023.

**Figure 14 Change in lowest market offer bill for typical SEQ small business time-of-use customers, by retailer, June quarter 2022 to June quarter 2023**



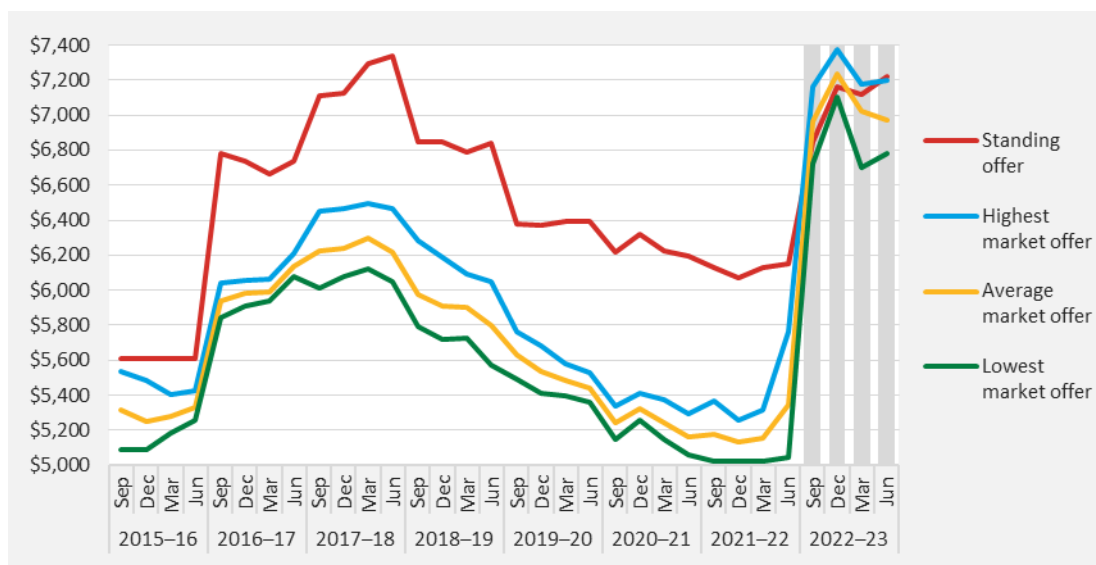
Note: 13 retailers that had market offers in the June quarter of 2022 did not have any in the June quarter of 2023. Sources: Energy Made Easy; QCA analysis.

### 2.6.3 Longer-term trends

Figure 15 shows the trend in small business time-of-use standing and generally available market offer bills between 2015–16 and 2022–23. The bills are expressed in nominal dollars—that is, they have not been adjusted for the effect of inflation.

<sup>46</sup> We have recalculated the bill values from the previous year with the consumption level in Table 2 to allow a direct comparison. Changes in retailers' lowest market offer bills from quarter to quarter during 2022–23 are shown in appendix A (section A.6.5). The median consumption of a typical SEQ small business time-of-use customer (Table 2) is substantially higher than the consumption level we used for our bill calculations in the 2021–22 report (QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, p 8). Bills are in nominal dollars.

**Figure 15 Average annual bills for a typical SEQ small business time-of-use customer, 2015–16 to 2022–23**



Notes: Annual bill in nominal dollars for each quarter, based on median consumption of a small business time-of-use customer (Table 2). A table with bill values for each quarter is available in appendix C. Sources: Energy Made Easy; QCA analysis.

The average market offer bill—for the typical SEQ customer—trended downwards from the June quarter of 2018. However, this trend did not continue in 2021–22 and 2022–23 as wholesale energy costs increased substantially and started to translate into higher retail prices.

In the past year (June quarter of 2022 to June quarter 2023):

- the average highest market offer bill increased by 24.9%
- the average lowest market offer bill increased by 34.4%.

Market offer bills in 2022–23 were around their highest levels (in nominal terms) since retail electricity prices for residential and small business customers were deregulated in SEQ in 2016. The average lowest market offer bill reached \$7,107 in the December quarter of 2022, which is 16.1% above the previous peak of \$6,122 in the March quarter of 2018. Over that period, the Brisbane All Groups CPI increased by 17.5%<sup>47</sup>, implying that in real inflation-adjusted terms, bills in 2022–23 were slightly lower than in the previous peak in 2017–18.

The average standing offer bill—for the typical SEQ customer—trended downwards following the introduction of the DMO for other small business customers (on flat rate tariffs) on 1 July 2019. When wholesale energy costs increased, the average standing offer bill increased in 2021–22 and 2022–23 too, given that the DMO does not cap the prices of small business time-of-use standing offers. Although market offer bills had a steeper increase in the first half of 2022–23, the average standing offer bill was higher than the average highest market offer bill by the end of 2022–23.

<sup>47</sup> Australian Bureau of Statistics (ABS), 'Tables 1 and 2. CPI: All Groups, Index Numbers and Percentage Changes' [time series spreadsheet], *Consumer Price Index, Australia*, September quarter 2023, ABS website, accessed 23 November 2023.

## 2.7 General observations

### Standing offer bills

- From the beginning of 2015–16 to the end of 2017–18, average standing offer bills increased markedly. However, they first started to decrease in the September quarter of 2018, with slight decreases for residential customers and larger decreases for small business customers.<sup>48</sup> Further increases occurred when the DMO was introduced on 1 July 2019.
- Average residential and small business standing offer bills decreased significantly in the September quarter of 2019 (between 6.7% and 12.3%). Additional decreases took place in the September quarter of 2020 (between 1.0% and 5.9%) and in the September quarter of 2021 (between 1.1% and 5.7%) with the implementation of the DMO prices for the respective financial years.<sup>49</sup>
- By contrast, there was an increase in the average residential and small business standing offer bills (between 8.4% and 11.4%) in the September quarter of 2022 as the AER increased the DMO prices for 2022–23. However, given the timing of the final DMO determination for 2022–23 (late May 2022), the DMO prices did not reflect the full extent of the wholesale energy cost increases that occurred in late 2021–22 and early 2022–23.
- The AER sets the DMO as an annual bill for a set consumption level (which differs from the median consumption level in Table 2 that we use in our report) and thereby gives retailers the ‘flexibility to translate the annual amount into different tariff structures’.<sup>50</sup> For this reason, standing offer prices (and bills) can vary to some extent between retailers, as long as they structure their prices such that a bill based on the AER’s set consumption level does not exceed the annual DMO price.
- Standing offer bills were generally more expensive than market offer bills from 2015–16 to 2020–21. However, this was not always the case in 2021–22 and 2022–23. In response to rising wholesale energy costs, retailers started to increase their market offer prices, whereas standing offer prices remained capped by the DMO that the AER sets annually before the start of each financial year.
- In 2022–23, average market offer bills were generally higher than average standing offer bills for the tariffs and tariff combinations covered in our report and that are also covered by the DMO.

### Market offer bills

- Average market offer bills trended downwards following Alinta Energy’s entry into the SEQ retail electricity market in August 2017. This trend did not continue in 2021–22 and 2022–23, as increased wholesale energy costs started to flow through to retail prices.
- For each of the tariffs and tariff combinations we report on in this chapter, the average highest market offer bill increased from the June quarter of 2022 to the June quarter of 2023 by between 18.4% and 24.9%. The average lowest market offer bill increased even more steeply during the same time, rising by between 28.2% and 34.4%.

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<sup>48</sup> The Australian Government reportedly requested in late 2018 that the major energy companies lower their cost of standing offers by 1 January 2019 (ACCC, *Monitoring of supply in the National Electricity Market*, March 2019, p 24).

<sup>49</sup> The decreases have been calculated compared to the previous quarter (June quarter) and are based on our recalculated bills with the consumption levels in Table 2. The percentages may therefore differ from those included in our previous reports.

<sup>50</sup> AER, *Default Market Offer Prices 2019–20* [final determination], 2019, p 9.



- Hardly any retailers had a market offer available in the June quarter of 2023 that was cheaper—for the typical SEQ customer—than their cheapest market offer in the June quarter of 2022. As wholesale energy costs increased, most retailers' cheapest market offer became more expensive—in some cases substantially.
- Market offer bills in 2022–23 were around their highest level since we started monitoring the market in 2015–16. The average standing offer bill was lower than average market offer bills in 2022–23 for the first time since retail electricity prices for residential and small business customers were deregulated in SEQ in 2016.
- Although the bills were higher overall, there was still a substantial price dispersion between the highest- and the lowest-priced plans in 2022–23,<sup>51</sup> which means that customers could still have saved on energy bills if they effectively navigated the market and shopped around for the best plan for their circumstances, including their individual consumption.

### Higher costs are reflected in higher bills

- While retailers' prices are shaped by demand and the nature of competition, their prices are also shaped by the underlying costs such as wholesale energy costs. These costs increased significantly in 2021–22 and 2022–23 and according to the AER 'reached record levels in June and July' of 2022. The AER noted in September 2022 that the recent months were 'the most tumultuous in the history of Australia's energy markets'.<sup>52</sup>
- Wholesale energy costs tend to be more volatile than the electricity prices consumers pay because retailers generally 'hedge' the cost of their electricity purchases through financial contracts to purchase electricity at agreed rates at a certain point in the future. Customers are thus generally not impacted by short-term spikes in wholesale energy spot prices.<sup>53</sup> However, wholesale energy costs remained at elevated levels during much of late 2021–22 and early 2022–23.
- Retailers use different approaches to manage spot price risk. If a retailer is more heavily hedged—that is, if it has arrangements to purchase a larger proportion of its required electricity load further into the future—it will generally be less exposed to short-term changes in wholesale spot market prices than retailers who are more lightly hedged. Longer periods of high wholesale spot electricity prices will drive increased contract prices, which will eventually flow through to customers as higher retail electricity prices. The degree and timing of these price increases for customers depend on the risk management approach taken by their retailer.<sup>54</sup>
- The Australian Competition and Consumer Commission (ACCC) noted in June 2023 that wholesale market conditions had eased since it published the report of its inquiry into the NEM in November 2022 and that this reflected, at least to some extent, government interventions in energy markets.<sup>55</sup> But the ACCC observed that spot and contract prices remained relatively high by historical standards, and high spot and hedging contract prices during 2022 were still flowing through to retailers' wholesale costs. Hedging contracts for

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<sup>51</sup> We explore the spread of prices in more detail in section 8.4 of this report.

<sup>52</sup> AER, *Wholesale Markets Quarterly Q2 2022* [April–June], 2022, p 1.

<sup>53</sup> ACCC, *Inquiry into the National Electricity Market* [Addendum to the May 2022 report], 2022, p 7.

<sup>54</sup> ACCC, *Inquiry into the National Electricity Market* [Addendum to the May 2022 report], 2022, p 7.

<sup>55</sup> In December 2022, the Australian Government partnered with the states and territories to introduce an Energy Price Relief Plan. As part of this, temporary price caps on coal and gas were introduced to mitigate the impacts of energy price increases on consumers and businesses (Prime Minister, Treasurer, Minister for Climate Change and Energy, *Energy Price Relief Plan* [media release], Prime Minister of Australia website, 9 December 2022, viewed 25 August 2023).

electricity supplied in 2022 were likely purchased in 2020 or 2021 when prices were lower. Meanwhile, hedging contracts signed in 2022, when prices were higher, would flow through to retailers' wholesale costs, and then to customer bills, in 2023 and beyond. The ACCC therefore cautioned that changes in the spot market and hedging contract markets would take time, sometimes years, to flow through to customer bills.<sup>56</sup>

- Standing offer prices will be higher for SEQ customers in 2023–24 too. The AER increased DMO prices for 2023–24 by 21.5% for residential customers without controlled load, 20.5% for residential customers with controlled load, and 21.9% for small business customers without controlled load (increases of 15.3%, 14.2% and 15.7% above forecast inflation, respectively). The AER noted that wholesale energy costs continued to be the predominant driver of increased retail electricity prices.<sup>57</sup>

## 2.8 Key considerations for customers

Standing and market offer bills for the typical SEQ customer have changed considerably over time. In particular, market offer bills increased substantially during 2021–22 and 2022–23. Given these recent increases, it is important for customers to consider the following key points about electricity plans:

- An individual customer's consumption is likely to differ from the consumption of the typical SEQ customer that the bills in our report are based on. As bills vary with consumption, the cheapest plan we present in our report will not be the cheapest plan for every SEQ customer.
- Customers are advised to input the most recent information on their consumption (electricity usage on their latest bill) when they search for a new plan on Energy Made Easy. This will ensure that they get personalised results and can find the cheapest plan for their individual consumption level.
- Retailers regularly publish new plans. The cheapest plans we present in our report may not be available anymore, and other retailers may now have better plans available.
- Customers who have not signed a new electricity contract recently may face prices that differ substantially from the bills presented in this report. Active customers are likely to pay less than inactive or disengaged customers.
- The introduction of the DMO has reduced standing offer prices substantially. Some retailers' standing offer bills were even cheaper than their market offer bills over the past two years. Retailers are not obliged to move customers onto their standing offer when they increase the price of their existing market offer. If customers do not want to switch retailers, they can contact their retailer, as they have the right to receive the standing offer.<sup>58</sup>
- Customers are advised to always compare a retailer's market offers with the price of a standing offer. Retailers have to indicate the difference between the market offer bill and the DMO bill (standing offer bill for a customer with the model annual electricity usage) as a percentage in their advertisements, provided that a DMO is available for the respective tariff or tariff combination.

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<sup>56</sup> ACCC, *Inquiry into the National Electricity Market*, June 2023, pp 3, 11, 18.

<sup>57</sup> AER, *Default market offer prices 2023–24* [final determination], 2023, pp 5–6; AER, *AER releases final determination for 2023–24 Default Market Offer* [media release], 25 May 2023, viewed 27 July 2023. Increases are based on the DMO consumption levels, which are different from the consumption levels we used in this report.

<sup>58</sup> ACCC, *Australians urged to compare electricity plans as market offers exceed safety net* [media release], 10 August 2023, viewed 10 August 2023.

- Standing offers typically provide more favourable terms and conditions than market offers, which provide benefits to some customers.<sup>59</sup> However, market offers may have discounts or financial incentives attached that could reduce a customer's bill (such as pay on time discounts or sign-up incentives).
- Being on a market offer does not guarantee that a customer receives the lowest possible bill; there are significant differences between market offers, often even between the plans of the same retailer. Moreover, the supply and/or usage charges of a market offer may increase over time and the initial discount period may expire. Therefore, even many customers who are on a market offer already have the potential to save by switching to a cheaper offer from their current retailer or by switching retailers.
- Before customers switch, they should carefully check the terms and conditions of the new plan to ensure that the plan suits their individual situation and preferences. For example, customers may need to factor in additional fees if they prefer to receive paper bills, or they may not realise a discount or a financial incentive attached to the plan if they do not meet all the conditions. Chapters 3 and 4 provide more information on discounts, incentives and fees.

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<sup>59</sup> These additional benefits include access to paper bills at no extra cost, better payment terms (which can include bill smoothing) and ongoing certainty of terms (i.e. retailers cannot change terms or impose restrictions as they can under market contracts).

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## 3 DISCOUNTS, SAVINGS AND INCENTIVES

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### Key findings

We assessed the discounts, savings and incentives attached to retail electricity plans in the June quarter of 2023 and compared them to those attached in the June quarter of 2022 and over time. We found:

- The shift from conditional to guaranteed discounts following changes to the legal framework for electricity retailing continued in 2022–23.
- Fewer retailers attached discounts in the June quarter of 2023 than in the June quarter of 2022. Only 4 retailers (out of 21) with residential flat rate market offers and 3 retailers (out of 15) with small business flat rate market offers attached discounts to at least one of their plans in the June quarter of 2023.
- Fewer retailers attached financial incentives to their plans in the June quarter of 2023 than a year earlier, with 11 retailers (out of 21) attaching financial incentives to at least one of their residential flat rate market offers, and 2 retailers (out of 15) attaching financial incentives to at least one of their small business flat rate market offers.
- The types of financial incentives in the June quarters of 2022 and 2023 were similar, with sign-up and bill/account credits being the dominant financial incentive in both quarters. A new incentive offered in the June quarter of 2023 was a fuel discount.
- A similar number of retailers attached non-financial incentives to their plans. In the June quarter of 2023, 10 retailers (out of 21) with residential flat rate market offers, and 3 retailers (out of 15) with small business flat rate market offers attached such incentives to at least one of their plans.
- Non-financial incentives in the June quarter of 2023 were similar to those offered in the June quarter of 2022. A new incentive was a free NRMA membership.
- GreenPower options for electricity from certified renewable energy sources were offered by various retailers again. While the options did not change much since the June quarter of 2022, some retailers changed the prices of their GreenPower options. Most retailers also offered carbon offset options.
- Some plans had conditions and/or eligibility criteria attached. This means that some customers may not have been able to take up those plans or they may have forfeited the discounts or incentives if they did not meet the conditions or criteria, which could have resulted in a higher bill.

## 3.1 Definitions

### Guaranteed and conditional discounts

Discounts can be guaranteed or conditional:

- Guaranteed discounts are any discounts that do not require a particular action or behaviour on the part of the customer.
- Conditional discounts are discounts that only apply if a customer satisfies certain requirements or conditions—for example, pay on time and direct debit discounts.<sup>60</sup>

If a discount is conditional, retailers must provide sufficiently clear information to describe the conditions that a customer must satisfy. Conditional discounts can include, but are not limited to:

- pay on time discounts
- bundling discounts (e.g. when a customer signs up to both electricity and gas with a retailer)
- direct debit discounts
- discounts based on customer type or method of sign-up (e.g. new customer or online sign-up only)
- ‘refer a friend’ type credits.<sup>61</sup>

### Financial and non-financial incentives

Retailers can attach other benefits and/or savings ('incentives') to their plans. An incentive is defined as 'a benefit to the customer other than a discount' and can include non-price benefits, one-off price benefits or physical gifts that are provided to a customer when they enter a contract. Examples of non-price incentives are vouchers for use in energy retail stores, magazine subscriptions, cinema tickets or tickets to sporting events.<sup>62</sup>

Retailers do not categorise their incentives as either a financial or a non-financial incentive on Energy Made Easy. We generally classify an incentive as a financial incentive if it leads to a reduction of a customer's bill or if it has a direct cash equivalent, such as a gift card or prepaid credit card. If an incentive provides benefits and/or savings that do not directly reduce the bill value—which includes the non-price incentives mentioned above—we treat it as a non-financial incentive. Accordingly, we only include financial incentives in our bill calculations.

### Eligibility criteria

In addition to discounts and incentives, some retailers attach eligibility restriction/criteria to their plans. Eligibility criteria are specific conditions that a customer must meet to access a generally available plan—for example, being a member of a club/organisation, purchasing the plan through a comparison website, purchasing the plan online, being a concession card or seniors card holder, or being a new customer to the retailer.<sup>63</sup>

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<sup>60</sup> AER, *AER Retail Pricing Information Guidelines* [version 5.0], 2018, pp 9–10, clauses 35–36.

<sup>61</sup> AER, *Retail Pricing Information Guidelines obligations for retailers* [guidance note], 2021; ACCC, *Guide to the Electricity Retail Code* [version 3], 2021, pp iv, 17.

<sup>62</sup> AER, *AER Retail Pricing Information Guidelines* [version 5.0], 2018, p 10, clauses 38–42.

<sup>63</sup> AER, *AER Retail Pricing Information Guidelines* [version 5.0], 2018, pp 11–12, clauses 48(k), 51.

### 3.2 QCA methodology

As in previous years, we compared and assessed the types of discounts, savings and incentives attached to retailers' generally available market offers using information from Energy Made Easy. Retailers can vary their market offers in several ways, including through:

- offering different supply and/or usage charges for different plans
- attaching guaranteed and/or conditional discounts of different types and levels
- attaching other financial or non-financial incentives/savings
- attaching GreenPower options.<sup>64</sup>

GreenPower options do not lead to any reduction in customers' bills. However, as they give customers the option to reduce their carbon emissions, we consider that they can be seen as a non-financial incentive for customers.

As retailers generally attach discounts and incentives to their market offers only, our analysis focuses on market offers.<sup>65</sup> The type and value (in dollar and percentage terms) of discounts and incentives for each retailer did not vary significantly between the three residential tariffs and tariff combinations or between the two small business tariffs that we cover in this report. We therefore only present the types of discounts and incentives attached to residential flat rate offers (section 3.4) and small business flat rate offers (section 3.5). We used the same approach in our previous market monitoring reports.

Discounts, incentives and GreenPower options did not vary significantly across the four quarters of 2022–23. Therefore, we present data on discounts, incentives and GreenPower options in the June quarter of 2023 only, which is broadly representative for 2022–23.<sup>66</sup>

### 3.3 Regulation of discounting

In recent years there have been significant changes to the regulation of discounting on retail electricity plans:<sup>67</sup>

- **Discounts on inflated prices:** Rule 46B of the National Energy Retail Rules (NERR), which came into force on 1 July 2018, prevents retailers from attaching discounts to a market offer where at least one price is above the equivalent price in a standing offer, and no prices in the market offer are below an equivalent rate in a standing offer. The rule was introduced to prevent retailers from publishing plans where no customer could be better off under the undiscounted market offer than under the standing offer.<sup>68</sup>

<sup>64</sup> GreenPower is a scheme that enables households and businesses to displace all or part of their electricity usage with certified renewable energy, which is added to the electricity grid on their behalf.

<sup>65</sup> No retailer attached any discounts to their flat rate standing offers in 2022–23, but some retailers continued to attach GreenPower options. EnergyAustralia again attached its 'PowerResponse program rebate' as an incentive to some of its standing offers, and Origin Energy offered a carbon offset on its standing offers.

<sup>66</sup> We used the same approach in our 2016–17, 2018–19, 2019–20, 2020–21 and 2021–22 market monitoring reports. In our 2017–18 report, we provided data on the discounts offered in each quarter due to the significant variation in discounts across the four quarters after Alinta Energy entered the SEQ market in mid-August 2017 with a 25% pay on time discount.

<sup>67</sup> More information on the policy intent and impacts of these regulatory changes is available in section 3.3 of our market monitoring report for 2019–20 (QCA, *SEQ retail electricity market monitoring 2019–20*, 2020, pp 34–36).

<sup>68</sup> AEMC, *National Energy Retail Amendment (Preventing discounts on inflated energy rates) Rule 2018* [final determination], 2018, pp ii–iii. See also AEMC, *National Energy Retail Amendment (Preventing discounts on inflated energy rates) Rule 2018 No 2* [final rule], 2018, schedule 1. We discussed some of the issues surrounding the introduction of the rule in our market monitoring report for 2017–18 (QCA, *SEQ retail electricity market monitoring: 2017–18* [updated report], 2019, p 63).

- **Advertising of discounts:** The Competition and Consumer (Industry Code—Electricity Retail) Regulations 2019 (Cth) (Electricity Retail Regulations), which came into force on 1 July 2019, specify how retail prices and discounts must be advertised, published or offered across the NEM. Part 2 sets out the Electricity Retail Code of Conduct (Electricity Retail Code), which requires retailers to compare their prices in plans, advertisements and publications with a 'reference price' set by the AER. For each market offer, retailers must present an annual bill for a 'representative customer'—based on the model annual usage set by the AER—that includes all conditional discounts (if any). The difference between this bill and the reference price (the annual bill for the DMO), must be expressed as a percentage of the reference price to provide a uniform basis for customers to compare market offers.<sup>69</sup>
- **Restriction of discount (and fee) amounts:** Rules 46C and 52B of the NERR, which came into force on 1 July 2020, restrict conditional discounts and conditional fees to the 'reasonable costs' a retailer is likely to incur when payment conditions are not met.<sup>70</sup> The rules have been introduced to improve plan comparability and protect consumers from excessive penalties in retail contracts with conditional discounts.<sup>71</sup>

These regulatory changes appear to have had an impact on customer and retailer behaviour. The AER observed that these changes had influenced retailers' approaches to discounting, with a general shift away from the use of conditional discounts. And where conditional discounts were still used, the value of these discounts had significantly reduced.<sup>72</sup>

The ACCC noted that, while there had been a shift away from the use of conditional discounts, some retailers were instead advertising plans with eligibility criteria. The ACCC regarded it as a positive step that retailers made changes that increased the transparency and certainty of prices that customers are likely to face on their plan. However, the ACCC also cautioned that retailers should be careful to ensure that eligibility criteria are not used in a way that breaches the conditional discount advertising requirements of the Electricity Retail Code.<sup>73</sup>

In May 2021, the AER issued a guidance note on the application of the requirements of the retail pricing information guidelines. The guidance note focused on the presentation of plans that include conditional and/or guaranteed discounts (or credits). As discounts and credits are 'key considerations for customers when choosing a plan', retailers are expected to provide clear data and information on Energy Made Easy and on their websites, to allow customers to easily understand how and when they are eligible for a discount (or credit) and if these are conditional or guaranteed.<sup>74</sup>

Although the reforms to the regulation of discounting should improve customer engagement, the AER noted that a range of factors could adversely affect customer engagement, such as language barriers, cultural issues, disabilities, low levels of literacy in energy markets and status quo bias for customers to stay with the default retailer or energy plan.<sup>75</sup>

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<sup>69</sup> Electricity Retail Regulations, sections 12–14; ACCC, *Inquiry into the National Electricity Market*, November 2019, pp 10, 22–23.

<sup>70</sup> AEMC, *National Energy Retail Amendment (Regulating conditional discounting) Rule 2020 No 1* [final rule], 2020, schedule 1.

<sup>71</sup> AEMC, *National Energy Retail Amendment (Regulating conditional discounting) Rule* [final determination], 2020, pp i–ii, 9–10.

<sup>72</sup> AER, *Annual retail markets report 2020–21*, 2021, p 39.

<sup>73</sup> ACCC, *Inquiry into the National Electricity Market*, August 2019, p 63.

<sup>74</sup> AER, *Retail Pricing Information Guidelines obligations for retailers* [guidance note], 2021. Under clause 25 of the guidelines, retailers are required to ensure that information published on Energy Made Easy and their own websites is accurate and up to date.

<sup>75</sup> AER, *State of the energy market 2020*, 2020, pp 253–254.

## 3.4 Residential flat rate offers

### 3.4.1 Discounts

Table 4 shows the discounts attached to residential flat rate market offers available in the June quarter of 2023. We observed the following types of discounts and discount combinations, which were similar to those in the other quarters of 2022–23:

- guaranteed discounts
- pay on time discounts
- pay on time and specific payment and billing method discounts combined.

**Table 4 Discounts attached to residential flat rate market offers, June quarter 2023**

Retailer	Guaranteed	Pay on time	Pay on time and payment/billing methods
CovaU	5% off usage <sup>a</sup>	—	—
Diamond Energy	—	—	2% off bill <sup>b</sup>
GloBird Energy	—	2% off bill <sup>c</sup>	1% off bill <sup>d</sup>
Simply Energy	1% off bill <sup>e</sup> 6% off bill <sup>f</sup>	—	—

*a Discounts applied to GST inclusive usage charges. The plan was available to customers who signed up through CovaU's website only.*

*b Ongoing 2% discount on GST exclusive supply and usage charges with email invoicing and full payment received by due date.*

*c Customers received a 2% discount off usage and supply charges when they paid their bill on time.*

*d Customers received a 1% discount off usage and supply charges when they paid their bill on time by direct debit.*

*e Customers received a 1% guaranteed discount off usage and supply charges.*

*f Customers received a 6% guaranteed discount off usage and supply charges.*

*Notes: A dash (—) means the retailer did not attach the discount type to any of its residential flat rate market offers on Energy Made Easy in this quarter. If a retailer had a discount attached, it did not necessarily attach the discount to all of its residential flat rate market offers or during the entire quarter.*

*Sources: Energy Made Easy; QCA analysis.*

#### Fewer retailers offering discounts

In the June quarter of 2023, only 4 of the 21 retailers with residential flat rate market offers available on Energy Made Easy attached guaranteed or conditional discounts to at least one of their plans. This also coincides with a significant decrease in the number of retailers offering residential flat rate market offers in the SEQ market. In the June quarter of 2022, 8 of the 34 retailers attached guaranteed or conditional discounts to at least one of their residential flat rate market offers.<sup>76</sup>

All 4 retailers offering discounts in 2023 also offered discounts in 2022. The 4 that did not offer discounts anymore either did not publish any residential flat rate market offers in the June quarter of 2023 (1st Energy, Enova Energy and Discover Energy) or moved away from discounting for residential customers (EnergyAustralia).

This shift away from discounting may be driven by more stringent discount advertising guidelines (discussed in section 3.3) or financial constraints due to increased operational costs following the recent increase and volatility in wholesale energy costs (discussed in section 9.2).

<sup>76</sup> QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, pp 36–37.



### Guaranteed discounts

There has been a shift from conditional to guaranteed discounts since the Electricity Retail Regulations came into force on 1 July 2019.

In the June quarter of 2019, before the regulations were implemented, 13 retailers attached conditional discounts to at least one residential flat rate market offer, and there were no retailers that exclusively attached guaranteed discounts only to their plans. Of the 13 retailers, only 4 also attached a guaranteed discount to one of their plans, with the conditional discount value being generally higher than the guaranteed discounts value.<sup>77</sup>

This contrasts with the June quarter of 2023, where 2 of the 4 retailers offering discounts (CovaU and Simply Energy) offered guaranteed discounts exclusively, the value of which was generally higher than the conditional discounts attached to the plans published by the other two retailers (Diamond Energy and GloBird Energy).

### Pay on time discount combinations

Diamond Energy attached a 2% discount off the total bill if customers received bills by email and paid on time. GloBird Energy attached a 2% pay on time discount and an extra 1% pay on time via direct debit discount to all of its plans, effectively making it a 3% discount off the bill when both payment criteria were met by the customer.

### Eligibility criteria

Some plans that had discounts attached also had eligibility restrictions attached, which means that those plans were only available to certain customers—for example:

- CovaU's guaranteed discount was only available to customers who signed up via the CovaU website
- Simply Energy required customers to hold a Seniors Card or be part of a qualifying organisation to be eligible for two of their plans with a discount attached (although the information on Energy Made Easy regarding the qualifying organisation was unclear).

## 3.4.2 Financial incentives

Table 5 shows the financial incentives attached to residential flat rate market offers in the June quarter of 2023. These incentives were similar to those in the other quarters of 2022–23.

**Table 5 Financial incentives attached to residential flat rate market offers, June quarter 2023**

Retailer	Financial incentive
AGL	<p><b>Sign-up credit*</b></p> <p>\$120 credit (\$30 every 3 months during the energy plan period)</p> <p>\$75 one-off credit on the first bill</p> <p>\$50 one-off credit on the first bill</p> <p>\$25 one-off credit on the first bill</p>
Ampol Energy	<p><b>Digital cash card</b></p> <p>\$100 one-off Ampol Cash digital gift card via email for new sign-ups (limited to one cash card voucher per household).</p> <p><b>Fuel discount</b></p> <p>10c per litre discount for regular and premium fuels when paying with FuelPay via the Ampol app. A maximum of 1,500 litres was claimable annually.</p>

<sup>77</sup> QCA, *SEQ retail electricity market monitoring: 2018–19*, 2019, p 31.

<b>Retailer</b>	<b>Financial incentive</b>
CovaU	<b>Online sign-up bonus</b> \$50 sign-up credit applied on the first bill. The offer was only available to new customers who signed up through CovaU's website.
Energy Locals	<b>Refer a friend credit</b> \$50 credit on the referring customer's and the new customer's accounts, if sign-up was completed using a 'Refer a Friend' link from an existing Energy Locals customer.
GloBird Energy	<b>Sign-up credit</b> \$50 credit on the bill <b>Solar feed-in tariff</b> 11 c/kWh solar feed-in credit for first 10 kWh/day
Kogan Energy	<b>Welcome credit</b> \$99 one-off sign-up credit applied to the first bill
Nectr	<b>Refer a friend credit</b> \$50 credit on the second bill for new customers if sign-up was completed using a 'Refer a Friend' link from an existing Nectr customer.
Origin Energy	<b>Account credit*</b> \$100 credit applied to the account after sign-up \$150 credit applied to the account after sign-up
Ovo Energy	<b>Welcome credit*</b> \$120 applied in twelve monthly instalments of \$10.00 on the bill \$190 applied in twelve monthly instalments of \$15.84 on the bill The welcome credit was valid via Ovo Energy's website and selected third-parties. <b>Interest rewards</b> Ovo Energy paid 3% interest on credit balances (after all monthly charges were considered), prorated for the number of days since the last bill. <b>Electric vehicle off-peak</b> 8 c/kWh usage charge between midnight and 6 am <b>Solar feed-in tariff</b> 14 c/kWh solar feed-in credit for the first 4,000kWh per year, and 7 c/kWh thereafter
Red Energy	<b>Free electricity use period</b> Between 12 pm and 2 pm Saturday and Sunday, the electricity usage charges were waived for some electric vehicle (EV) customers.
Sumo Power	<b>Sign-up credit*</b> \$40 credit applied to the first bill \$100 (\$50 credit applied to the first bill and \$50 credit on the second bill)

\* The different sign-up, account or welcome credits were generally attached to different plans.

Notes: Retailers did not always offer financial incentives during the entire quarter. The same plan may have had different financial and/or non-financial incentives attached at different times, and a few plans had more than one incentive attached at the same time. Various plans had eligibility restrictions attached. Retailers reported incentives as being GST inclusive, or we assume them to be GST inclusive.

Source: Energy Made Easy; QCA analysis.

In the June quarter of 2023, 11 of the 21 retailers that had residential flat rate market offers on Energy Made Easy attached financial incentives to at least one of their plans. This compares to 18 of the 34 retailers in the June quarter of 2022.<sup>78</sup> Ampol Energy—the only new entrant into the SEQ market that published residential flat rate market offers—attached financial incentives too.

In general, the types of financial incentives attached to residential flat rate market offers in the June quarter of 2023 were similar to those available in the June quarter of 2022, with sign-up and bill/account credits being the dominant forms of financial incentive in both quarters. Ampol Energy's fuel discount was a new type of financial incentive offered in the June quarter of 2023.

<sup>78</sup> QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, pp 39–41.

Various plans with incentives attached also had eligibility criteria attached, which could preclude some customers from availing the incentives. For example, some plans required customers to:

- remain on the plan for a certain period of time to receive the full incentive value
- own an electric vehicle
- have a solar photovoltaic (PV) system
- have a friend's referral
- sign up online.

When customers compare plans and analyse the value of a financial incentive, they need to bear in mind that eligibility criteria and terms and conditions may be attached to accessing the incentive. Moreover, financial incentives are often one-off credits or bonuses and will therefore only reduce the bill once.

### 3.4.3 Non-financial incentives

Table 6 shows the non-financial incentives attached to residential flat rate market offers in the June quarter of 2023. These incentives were similar to the ones in the other quarters of 2022–23.

**Table 6 Non-financial incentives attached to residential flat rate market offers, June quarter 2023**

Retailer	Non-financial incentive
AGL	<b>Carbon offsets</b> Customers who purchased an AGL EV charger via BMW received a carbon offset to the equivalent of ~2.5MWh, calculated based on the average kilometres travelled by Australian drivers and the energy consumption rates of BMW iX3 and iX vehicles.
EnergyAustralia	<b>PowerResponse program rebate</b> Customers may be eligible for EnergyAustralia's PowerResponse program, and by participating in events, may be eligible for rebates which may change over time
GloBird Energy	<b>Carbon offset</b> 10% carbon offset 100% carbon offset
Kogan Energy	<b>Kogan First</b> Complimentary access to Kogan First membership for 12 months
Momentum Energy	<b>GreenPower</b> 10% of usage offset with renewable energy and Momentum Energy covered the cost
Nectr	<b>GreenPower</b> 100% GreenPower included <b>Carbon offset</b> 100% carbon neutral included
Origin Energy	<b>Everyday Rewards points</b> Customers received up to 5,000 one-off Everyday Rewards points, approximately 45 days after the acceptance date and ongoing 1 Everyday Rewards point per \$1 on the bill. <b>AGA EHA Program membership</b> Customers received an Emergency Home Assistance (EHA) Program membership provided by Allianz Global Assistance (AGA) for the energy plan period.
Radian Energy	<b>Green Power</b> 100% GreenPower included <b>Carbon neutral</b> 100% carbon neutral included
Red Energy	<b>Qantas Points</b> 10,000 bonus Qantas Points once Red Energy supplied electricity and additional 2 Qantas Points per \$1 on every electricity bill, when paying on time (some plans also offered 3 Qantas Points per \$1). <b>Contributions to Taronga Conservation Society Australia</b> \$5 contribution for each calendar month from the date Red Energy became responsible for the electricity supply.

Retailer	Non-financial incentive
	<p><b>Contributions to Breast Cancer Network Australia</b> \$5 contribution for each calendar month from the date Red Energy became responsible for the electricity supply.</p> <p><b>Renewable matching promise</b> Snowy Hydro Limited matched every unit of electricity a customer bought from Red Energy by generating one unit of electricity from a renewable source.</p>
Simply Energy	<p><b>NRMA membership</b> Complimentary access to the National Roads and Motorists' Association's (NRMA) Blue Membership program for 12 months, with exclusive savings on fuel, insurance, travel, entertainment and more.</p>

*Notes: Retailers did not always offer non-financial incentives during the entire quarter. The same plan may have had different financial and/or non-financial incentives attached at different times, and a few plans had more than one incentive attached at the same time. Various plans had eligibility restrictions attached.*

*Source: Energy Made Easy; QCA analysis.*

In the June quarter of 2023, 10 of the 21 retailers attached non-financial incentives to at least one of their residential flat rate market offers. This compares to 13 of the 34 retailers in the June quarter of 2022.<sup>79</sup>

As in previous years, Dodo Power & Gas included a general incentive on Energy Made Easy that advised customer that Dodo Power & Gas may, from time to time, provide promotional offers (including one-off payments and/or products) through promotion codes, which may be redeemed when signing up. We no longer include this general incentive in our analysis because, unlike incentives offered by other retailers, it is not linked to a tangible incentive for customers.

The non-financial incentives in the June quarter of 2023 were generally similar to those offered in the June quarter of 2022, but we observed a new non-financial incentive provided by Simply Energy—a membership to a motoring association (NRMA).

Our observations on eligibility criteria attached to plans with discounts or financial incentives also apply to plans with non-financial incentives. For example, some of the plans with non-financial incentives attached were only available to customers who:

- owned an electric vehicle
- signed up through select partner channels or via the retailer's website
- were existing Everyday Reward members
- purchased a solar PV system from the retailer
- were a new customer
- were Qantas Frequent Flyer members.

While non-financial incentives do not reduce a customer's bill, they can still be of value to the customer and influence the selection of a plan. However, retailers' use of incentives can add complexity for customers and make it difficult for customers to review and compare plans. As with financial incentives, customers need to bear in mind that eligibility criteria and terms and conditions may be attached to accessing a non-financial incentive.

<sup>79</sup> QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, pp 42–44.

### 3.4.4 Greenpower

Table 7 shows the GreenPower options attached to residential flat rate market offers in the June quarter of 2023. These options were similar to the options in the other quarters of 2022–23. These plans generally allowed customers to select a proportion of their electricity usage to be supplied from GreenPower-accredited sources for a fixed price per week or per kilowatt hour on top of their normal bill.

**Table 7 GreenPower options attached to residential flat rate market offers, June quarter 2023**

Retailer	GreenPower options
AGL	<ul style="list-style-type: none"> <li>▪ 20% of usage for \$1 /week</li> <li>▪ 100% of usage for 4.4 c/kWh</li> </ul>
Amber Electric	<ul style="list-style-type: none"> <li>▪ 100% GreenPower for 5.62 c/kWh</li> </ul>
CovaU	<ul style="list-style-type: none"> <li>▪ 25% GreenPower for 1.1 c/kWh</li> <li>▪ 50% GreenPower for 2.2 c/kWh</li> <li>▪ 100% GreenPower for 4.4 c/kWh</li> </ul>
Diamond Energy	<ul style="list-style-type: none"> <li>▪ 50% GreenPower for 2.75 c/kWh</li> <li>▪ 100% GreenPower for 5.5 c/kWh</li> </ul>
Dodo Power & Gas	<ul style="list-style-type: none"> <li>▪ 10% GreenPower for 0.99 c/kWh</li> <li>▪ 100% GreenPower for 9.9 c/kWh</li> </ul>
Energy Locals	<ul style="list-style-type: none"> <li>▪ 10% GreenPower for 0.39 c/kWh</li> <li>▪ 50% GreenPower for 1.95 c/kWh</li> <li>▪ 100% GreenPower for 3.9 c/kWh</li> </ul>
EnergyAustralia	<ul style="list-style-type: none"> <li>▪ 10% PureEnergy for 4.95 c x 10% x total usage</li> <li>▪ 20% PureEnergy for 4.95 c x 20% x total usage</li> <li>▪ 100% PureEnergy for 4.95 c/kWh</li> </ul>
GloBird Energy	<ul style="list-style-type: none"> <li>▪ 10% GreenPower included in the offer rates (0 c/kWh)</li> <li>▪ 100% GreenPower included in the offer rates (0 c/kWh)</li> </ul>
Momentum Energy	<ul style="list-style-type: none"> <li>▪ 10, 20, 25, 50, 75 or 100% of usage for 4.95 c/kWh.</li> </ul>
Nectr	<ul style="list-style-type: none"> <li>▪ 100% GreenPower included in the usage rates (0 c/kWh)</li> </ul>
Origin Energy	<ul style="list-style-type: none"> <li>▪ 25% GreenPower for 65 c/week</li> <li>▪ 50% GreenPower for 1.40 c/kWh</li> <li>▪ 100% GreenPower for 2.80 c/kWh</li> </ul>
Ovo Energy	<ul style="list-style-type: none"> <li>▪ 100% GreenPower for 4.95 c/kWh</li> </ul>
Powershop	<ul style="list-style-type: none"> <li>▪ 100% GreenPower for 3.74 c/kWh—customers could purchase as much, or as little, 100% GreenPower as they liked</li> </ul>
Radian Energy	<ul style="list-style-type: none"> <li>▪ 100% GreenPower included in the usage rates (0 c/kWh)</li> </ul>
ReAmped Energy	<ul style="list-style-type: none"> <li>▪ 25% GreenPower for 1 c/kWh</li> <li>▪ 50% GreenPower for 2 c/kWh</li> <li>▪ 75% GreenPower for 3 c/kWh</li> <li>▪ 100% GreenPower for 4 c/kWh</li> </ul>
Red Energy	<ul style="list-style-type: none"> <li>▪ 100% GreenPower for 4.84 c/kWh</li> </ul>
Simply Energy	<ul style="list-style-type: none"> <li>▪ 50 c/day applied to the bill to participate in the GreenPower accredited program</li> </ul>

*Note: Retailers reported GreenPower prices as being GST inclusive, or we assume them to be GST inclusive.*

*Source: Energy Made Easy; QCA analysis.*

In the June quarter of 2023, 17 of the 21 retailers had GreenPower options attached to some, or all, of their residential flat rate market offers; this is an increased proportion compared to the June quarter of 2022 (18 of 34 retailers).<sup>80</sup> CovaU and Simply Energy had GreenPower options

<sup>80</sup> QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, pp 44–47.

available in the June quarter of 2023 but did not have any in the June quarter of 2022. Mojo Power, Enova Energy and Discover Energy attached GreenPower options to at least one offer in the June quarter of 2022 but had either ceased operating in the SEQ market or did not publish any residential flat rate offers in the June quarter of 2023.

Retailers that attached GreenPower options to their residential flat rate market offers often provided a choice of either 10%, 20%, 25%, 50% or 100% GreenPower. The price of GreenPower varied substantially between the retailers. Charges for 100% GreenPower, for example, ranged from 2.80c/kWh (Origin Energy) to 9.9c/kWh (Dodo Power & Gas).

Some retailers included 100% GreenPower in their prices at no extra cost, although we observed that some of these retailers' usage and supply charges were higher than those of other retailers charging extra for GreenPower options.

In comparison to the June quarter of 2022, in the June quarter of 2023:

- 11 retailers had the same GreenPower options and prices (AGL, Diamond Energy, Dodo Power & Gas, Energy Locals, EnergyAustralia, Momentum Energy, Nectr, Origin Energy, Powershop, Radian Energy and ReAmped Energy)
- 1 retailer lowered its GreenPower prices (Red Energy)
- 1 retailer increased its GreenPower prices (Amber Electric)
- 1 retailer removed the 10% GreenPower at no extra cost option but maintained the price of its 100% GreenPower option (Ovo Energy)
- 1 retailer added the 10% GreenPower included in the offer rates option to its existing 100% GreenPower included in the offer rates (GloBird Energy).

In addition, 6 retailers had carbon offset options attached to some or all of their residential flat rate market offers in the June quarter of 2023:

- AGL's Residential Electric Vehicle Plan (BMW customers) offered customers who purchased an AGL EV charger via BMW a carbon offset to the equivalent of ~2.5MWh.
- GloBird Energy's Greenlight and GloGreen plans offered 10% and 100% carbon offsets, respectively.
- Nectr's 100% Clean and Hive Solar Saver plans were listed as 100% carbon neutral.
- Origin Energy's Go Variable, Solar Boost, Solar Boost Plus, Basic and Solar Lite Variable plans included the option for customers to pay \$1.50 per week to offset 100% of the greenhouse gas emissions through Climate Active—a government-backed carbon neutral certification scheme.
- Powershop's residential flat rate plans were all listed as 100% carbon neutral.
- Radian Energy's The Simple Switch 100% Net-Zero plan was listed as 100% carbon neutral.

## 3.5 Small business flat rate offers

### 3.5.1 Discounts

Table 8 shows the discounts attached to small business flat rate market offers available in the June quarter of 2023, which were similar to those in the other quarters of 2022–23. Retailers attached either a guaranteed discount or a combination of a pay on time and billing method discount.

**Table 8 Discounts attached to small business flat rate market offers, June quarter 2023**

Retailer	Guaranteed	Pay on time and billing method
Diamond Energy	—	2% off bill <sup>a</sup>
EnergyAustralia	3% off usage <sup>b</sup> 5% off usage <sup>b</sup>	—
Simply Energy	6% off bill	—

*a* Ongoing 2% discount on supply and usage charges with email invoicing and full payment received by due date.

*b* Discount applied to GST exclusive charges.

Notes: A dash (—) means the retailer did not attach the discount type to any of its small business flat rate market offers on Energy Made Easy in this quarter. If a retailer had a discount attached, it did not necessarily attach the discount to all of its small business flat rate market offers or during the entire quarter.

Source: Energy Made Easy; QCA analysis

#### Fewer retailers offering discounts

In the June quarter of 2023, only 3 of the 15 retailers with small business flat rate market offers available on Energy Made Easy attached guaranteed or conditional discounts to at least one of their plans. This also coincides with a significant decrease in the number of retailers offering small business flat rate market offers in the SEQ market. In the June quarter of 2022, 8 of the 29 retailers with small business flat rate market offers available on Energy Made Easy attached guaranteed or conditional discounts to at least one of their plans.<sup>81</sup>

All 3 retailers offering discounts in the June quarter of 2023 also offered discounts in the June quarter of 2022. However, the discount value was lower in the June quarter of 2023, compared to the June quarter of 2022. The 5 that did not offer discounts either ceased operating in the SEQ market or did not have any market offers published in the June quarter of 2023 (1st Energy, Elysian Energy and Discover Energy) or moved away from discounting for small business customers (CovaU and EnergyAustralia).

Consistent with our observations on residential flat rate offers, we consider this shift away from discounting may be driven by more stringent discount advertising guidelines or increased operational costs due to the recent increase and volatility in wholesale energy costs.

#### Guaranteed discounts

Similar to our observations on residential flat rate offers, we have observed a shift from conditional to guaranteed discounts since the Electricity Retail Regulations came into force on 1 July 2019. Guaranteed discounts were the most common form of discounts attached to small business flat rate market offers in 2022–23, as in 2019–20, 2020–21 and 2021–22.

Nonetheless, we have observed a significant decrease in the number of retailers offering guaranteed discounts on small business flat rate offers. In the June quarter of 2022, 4 out of the 8 retailers that offered a discount, attached a guaranteed discount to at least one of their plans.<sup>82</sup> This contrasts with only 2 out of 3 retailers in the June quarter of 2023.

<sup>81</sup> QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, pp 47–48.

<sup>82</sup> QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, pp 47–48.

### Pay on time discount combinations

As in the June quarters of 2020, 2021 and 2022, Diamond Energy was the only retailer to attach a discount combination in the June quarter of 2023—a 2% discount off the total bill if customers received bills by email and paid on time. We note this is a reduction in discount value since the June quarter of 2022, when the discount was 7%.<sup>83</sup>

### Eligibility criteria

Diamond Energy was the only retailer that attached eligibility criteria to receive the discount—by requiring the customer to receive bills via email.

## 3.5.2 Financial incentives

Table 9 shows the financial incentives attached to small business flat rate market offers in the June quarter of 2023. The incentives were similar to those in the other quarters of 2022–23.

**Table 9 Financial incentives attached to small business flat rate market offers, June quarter 2023**

Retailer	Financial incentive
CovaU	<b>Online sign-up bonus</b> \$50 sign-up credit applied on the first bill. The offer was only available to new customers who signed up through CovaU's website.
Energy Locals	<b>Refer a friend credit</b> \$50 credit on the referring customer's and the new customer's accounts, if sign-up was completed using a 'Refer a Friend' link from an existing Energy Locals customer.

*Notes: Retailers did not always offer financial incentives during the entire quarter. The same plan may have had different financial and/or non-financial incentives attached at different times, and a few plans had more than one incentive attached at the same time. Retailers reported incentives as being GST inclusive, or we assume them to be GST inclusive.*

*Source: Energy Made Easy; QCA analysis*

In the June quarter of 2023, only 2 of the 15 retailers that had small business flat rate market offers on Energy Made Easy attached financial incentives to at least one of their plans. This compares to 4 of the 29 retailers in the June quarter of 2022.<sup>84</sup> Of those 4 retailers, only CovaU continued to attach financial incentives to at least one of its small business flat rate market offers, while 2 retailers no longer offered financial incentives (Momentum Energy and ReAmped Energy) and one retailer did not publish any small business flat rate offers in the June quarter of 2023 (GEE Energy).

We did not observe any new types of financial incentives attached to small business flat rate market offers in the June quarter of 2023. Online sign-up bonuses and refer a friend credit are types of financial incentives that have been used commonly by retailers in the past.

CovaU was the only retailer offering a financial incentive that also attached eligibility criteria to receive the incentive—by requiring customers to sign up via the CovaU website.

When customers compare plans and analyse the value of a financial incentive, they need to bear in mind that eligibility criteria and terms and conditions may be attached to accessing the incentive. Moreover, financial incentives are often one-off credits or bonuses and will therefore only reduce the bill once.

<sup>83</sup> QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, p 47.

<sup>84</sup> QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, p 50.



### 3.5.3 Non-financial incentives

Table 10 shows the non-financial incentives attached to small business flat rate market offers in the June quarter of 2023. The incentives were similar to those in the other quarters of 2022–23.

**Table 10 Non-financial incentives attached to small business flat rate market offers, June quarter 2023**

Retailer	Non-financial incentive
Alinta Energy	<p><b>Qantas points</b> 20,000 sign-up Qantas points after 90 days plus ongoing 3 Qantas points per \$1 of every fully paid bill.</p>
Momentum Energy	<p><b>Free GreenPower</b> 10% of usage offset with renewable energy and Momentum Energy covered the cost</p>
Red Energy	<p><b>Qantas Points</b> Bonus Qantas points once Red Energy supplied electricity and additional Qantas points per \$1 on the bill when paying in full, as follows: — 10,000 bonus points and 2 points per \$1 on the bill — 15,000 bonus points and 3 points per \$1 on the bill</p> <p><b>Contributions to Breast Cancer Network Australia</b> \$5 contribution for each calendar month from the date Red Energy became responsible for the electricity supply.</p> <p><b>Renewable Matching Promise</b> Snowy Hydro Limited matched every unit of electricity a customer bought from Red Energy by generating one unit of electricity from a renewable source.</p>

*Notes: Retailers did not always offer non-financial incentives during the entire quarter. The same plan may have had different financial and/or non-financial incentives attached at different times, and a few plans had more than one incentive attached at the same time. Various plans had eligibility restrictions attached.*

*Source: Energy Made Easy; QCA analysis*

In the June quarter of 2023, 3 of the 15 retailers that had small business flat rate market offers on Energy Made Easy attached non-financial incentives to at least one of their plans. All 3 retailers had attached non-financial incentives to at least one of their small business flat rate plans in the June quarter of 2022 too.<sup>85</sup>

We observed no new types of non-financial incentive offered by retailers. In fact, the types of non-financial incentives attached to each retailer's small business flat rate market offers in the June quarter of 2023 were identical to those attached in the June quarter of 2022.

Customers need to bear in mind that eligibility criteria and terms and conditions may be attached to accessing a non-financial incentive. For example, some of these plans were only available to customers who:

- had a Qantas Business Rewards membership and had an Australian business number (ABN) on their energy account that matched the ABN registered to their Qantas Business Rewards membership
- signed up via phone
- were new customers.

While non-financial incentives do not reduce a customer's bill, they can still be of value to the customer and influence the selection of a plan. However, retailers' use of incentives can add complexity and make it difficult for customers to review and compare plans.

<sup>85</sup> QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, p 51.

### 3.5.4 Greenpower

Table 11 shows the GreenPower options attached to small business flat rate market offers in the June quarter of 2023, which were similar to the options in the other quarters of 2022–23. These plans generally allowed customers to select a proportion of their electricity usage to be supplied from GreenPower-accredited sources for a fixed price per week or per kilowatt hour on top of their normal bill.

**Table 11 GreenPower options attached to small business flat rate market offers, June quarter 2023**

Retailer	GreenPower options
AGL	<ul style="list-style-type: none"> <li>▪ 20% GreenPower for 0.88 c/kWh</li> <li>▪ 100% GreenPower for 4.4 c/kWh</li> </ul>
Amber Electric	<ul style="list-style-type: none"> <li>▪ 100% GreenPower for 5.62 c/kWh</li> </ul>
CovaU	<ul style="list-style-type: none"> <li>▪ 25% GreenPower for 1.1 c/kWh</li> <li>▪ 50% GreenPower for 2.2 c/kWh</li> <li>▪ 100% GreenPower for 4.4 c/kWh</li> </ul>
Diamond Energy	<ul style="list-style-type: none"> <li>▪ 50% GreenPower for 2.75 c/kWh</li> <li>▪ 100% GreenPower for 5.5 c/kWh</li> </ul>
Energy Locals	<ul style="list-style-type: none"> <li>▪ 10% GreenPower for 0.39 c/kWh</li> <li>▪ 50% GreenPower for 1.95 c/kWh</li> <li>▪ 100% GreenPower for 3.9 c/kWh</li> </ul>
EnergyAustralia	<ul style="list-style-type: none"> <li>▪ 10% PureEnergy for 4.95c x 10% x total usage</li> <li>▪ 25% PureEnergy for 4.95c x 25% x total usage</li> <li>▪ 100% PureEnergy for 4.95c per kWh</li> </ul>
Momentum Energy	<ul style="list-style-type: none"> <li>▪ 10, 20, 25, 50, 75 or 100% GreenPower for 4.95 c/kWh</li> </ul>
Origin Energy	<ul style="list-style-type: none"> <li>▪ 25% GreenPower for 0.7 c/kWh</li> <li>▪ 50% GreenPower for 1.40 c/kWh</li> <li>▪ 100% GreenPower for 2.80 c/kWh</li> </ul>
Powershop	<ul style="list-style-type: none"> <li>▪ 100% GreenPower for 3.74 c/kWh—customers could ‘purchase as much, or as little, 100% GreenPower’ as they liked</li> </ul>
ReAmped Energy	<ul style="list-style-type: none"> <li>▪ 25% GreenPower for 1 c/kWh</li> <li>▪ 50% GreenPower for 2 c/kWh</li> <li>▪ 75% GreenPower for 3 c/kWh</li> <li>▪ 100% GreenPower for 4 c/kWh</li> </ul>
Red Energy	<ul style="list-style-type: none"> <li>▪ 100% GreenPower for 4.84 c/kWh</li> </ul>
Simply Energy	<ul style="list-style-type: none"> <li>▪ \$1.50/day applied to the bill to participate in the GreenPower accredited program</li> </ul>

*Note: Retailers reported GreenPower prices as being GST inclusive, or we assume them to be GST inclusive. Source: Energy Made Easy; QCA analysis.*

In the June quarter of 2023, 12 of the 15 retailers had GreenPower options attached to some or all of their small business flat rate market offers; this is an increased proportion compared to the June quarter of 2022 (14 of 29 retailers).<sup>86</sup>

CovaU and Simply Energy offered GreenPower options in the June quarter of 2023 but did not offer any a year before. Discover Energy, Enova Energy, Mojo Power and Radian Energy attached GreenPower options to at least one offer in the June quarter of 2022 but did not have any small business flat rate market offers published in the June quarter of 2023.

Retailers that attached GreenPower options to their small business flat rate market offers often provided a choice of either 10%, 20%, 25%, 50% or 100% GreenPower. The price of GreenPower

<sup>86</sup> QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, pp 52–54.

varied substantially between the retailers. Charges for 100% GreenPower, for example, ranged from 2.80 c/kWh (Origin Energy) to 5.62 c/kWh (Amber Electric). Some retailers included 100% GreenPower in their prices at no extra cost, although we observed some of these retailers' usage and supply charges were higher than those of other retailers charging extra for GreenPower options.

In comparison to the June quarter of 2022, in the June quarter of 2023:

- 6 retailers had the same GreenPower options and prices (Diamond Energy, EnergyAustralia, Momentum Energy, Origin Energy, Powershop and ReAmped Energy)
- 2 retailers lowered their GreenPower prices (Energy Locals and Red Energy)
- 1 retailer increased its GreenPower prices (Amber Electric)
- 1 retailer removed the 10% GreenPower percentage choice level but maintained the price of the remaining options (AGL).

In addition, 3 retailers had carbon offset options attached to some or all of their small business flat rate market offers in the June quarter of 2023:

- EnergyAustralia published a plan named 'Business Carbon Neutral Flexi Plan'; however, it did not provide further information on the nature of carbon offsets or charges associated with achieving carbon neutrality.
- Origin Energy's Business Solar Boost, Business Solar Boost Plus, Business Go Variable and Business Basic plans included an option to pay 1.5 c/kWh to offset 100% of the greenhouse gas emissions through Climate Active—a government-backed carbon neutral certification scheme.
- Powershop's market offer was listed as 100% carbon neutral.

### 3.6 Complexity of discounting

Based on the data available on Energy Made Easy, discounts have generally become less complex, and plans with discounts attached have become less prevalent in the SEQ market. We have also observed a shift from conditional to guaranteed discounts over the past four years.

Further, we have seen a decline in plans with high headline conditional discounts, with most conditional discounts now around the 1% to 2% mark. As such, while it is important for customers to carefully consider the conditional discount criteria attached to a plan, failure to meet the criteria will have a far lesser impact on bill outcomes compared to legacy plans with conditional discounts of around the mid-20% range, as was common before 2019.

We are of the view that a potentially bigger issue facing customers now is the comparison of a plan with the DMO reference price. The changes that were implemented with the introduction of the DMO aim to make it easier for customers to compare plans. In our view, the reference price provides important consumer protections to minimise the risk of customers being worse off after signing up to a new plan. However, some customers may not fully understand the meaning and significance of the reference price, especially when they assess the value of savings available on discounted plans.

It is important to note that the bill comparison in retailers' advertisements is based on the model annual usage set by the AER. Customers need to take into consideration that their actual savings will depend on their individual consumption and may therefore substantially differ from the value of savings suggested by the reference price comparison. This could be particularly challenging for small business customers, because consumption levels for small businesses are more diverse than for residential customers.

### 3.7 Key considerations for customers

Guaranteed and conditional discounts, as well as financial incentives, have the potential to lower customers' electricity bills. However, there may be conditions or eligibility criteria attached to a plan, and not every customer will be able to realise those savings or access those plans. Customers should consider the following key points in the context of plans that have discounts and/or incentives attached:

- When customers analyse the value of a discount or an incentive, they need to bear in mind that eligibility criteria and terms and conditions may be attached to accessing the discount or incentive, or the plan itself. Customers are therefore advised to carefully check the conditions and eligibility criteria attached to each plan, as they may not be eligible for the plan or they could risk forfeiting the discount or incentive if they do not meet any of the conditions or criteria.
- Customers need to be aware that financial incentives are often one-off credits or bonuses and will therefore only reduce the bill once. It is therefore recommended that customers carefully check the supply and usage charges as well to assess if a plan with a financial incentive attached does not result in higher costs over the longer term.
- Eligibility criteria can be similar in nature to a conditional discount. It is in customers' interest to understand and agree to any conditions regarding billing and/or payment methods at the time they sign up to a plan. A plan with a guaranteed discount that has eligibility criteria attached may provide more certainty for customers that they will receive the financial benefits they expect to receive at the time they sign up to the plan, than a plan with a conditional discount attached.
- The changes to the regulation of discounting (section 3.3) provide important consumer protections. However, customers need to understand the meaning and significance of the reference price when they compare plans and assess the value of savings available on discounted plans. They should be aware that their consumption is likely to be different from the consumption used in the reference price comparison.
- While non-financial incentives do not reduce the bill value, they may still be of value to the customer and are worth being taken into account when selecting a new plan. However, as with financial incentives, customers need to bear in mind that eligibility criteria and terms and conditions may be attached to accessing a non-financial incentive.
- When customers decide which discount option would reduce their bill the most, or whether an undiscounted plan would result in the cheapest plan, they need to consider various factors, including their current and future consumption levels, how long the discount is available, their willingness and ability to meet discount conditions, the application of any fees if discount conditions are not met, and whether discounts apply to charges before or after solar feed-in tariffs are applied.
- Customers should also keep in mind that the supply and usage charges generally differ from retailer to retailer, and often between different plans of the same retailer too. A plan with discounts attached could have higher supply and/or usage charges than a plan with no discounts attached, and result in a higher bill.

## 4 FEES AND CHARGES

### Key findings

We assessed the fees attached to retailers' standing and market offers in the June quarter of 2023 and compared them to the fees attached in the June quarter of 2022.

We found that:

- Most retailers attached retail fees to some or all of their market offers in 2022–23. In the June quarter of 2023, 14 retailers (out of 21) with residential plans and 12 retailers (out of 15) with small business plans attached retail fees to their flat rate market offers.
- The types of fees attached to market offers were similar in the last two June quarters (2022 and 2023). These fees included payment processing fees (credit/debit card, BPay, cheque, Australia Post), and fees for paper bills, dishonoured cheque or direct debit payments, late payments, membership and account establishment. No exit fees were attached.
- For most of the fee types attached to market offers, the range of the fees in the June quarter of 2023 was similar to the range in the June quarter of 2022.
- As in previous years, fee information on Energy Made Easy was not always clear, and some retailers:
  - only stated for some fees whether they included or excluded GST, while other retailers did not make any GST statements on their fees
  - did not make it clear if fees applied, saying that fees 'may' apply
  - referred to the potential for retail fees—other than those listed on Energy Made Easy—to be levied on customers.

We consider that retailers should clearly indicate on Energy Made Easy which fees apply to their plans and where customers can obtain information on additional fees that apply or may apply. Retailers should also make it clear whether the fees include GST or not, and under what circumstances a fee 'may' apply.

### 4.1 QCA methodology

Electricity plans can include various one-off or recurring fees, including payment processing fees, paper bill fees, dishonoured payment fees, membership fees, late payment fees, account establishment fees and exit fees.<sup>87</sup> Retailers may also pass through to customers certain fees or charges levied by distributors, such as metering charges; connection, disconnection and reconnection fees; special meter reading fees; and meter inspection fees.<sup>88</sup>

The AER's retail pricing information guidelines require retailers to provide the 'key fees' applicable to retail electricity plans on Energy Made Easy.<sup>89</sup> A key fee is a fee that will be incurred by all or a significant portion of customers. Examples of key fees include—but are not limited to—account

<sup>87</sup> Section 2(d) of the direction refers to 'joining and early termination charges'. In this chapter, we describe these fees as 'account establishment fees' and 'exit fees' to align with the terminology used on Energy Made Easy.

<sup>88</sup> These fees are also referred to as distribution non-network charges (see section 4.8). Also see Electricity Regulation, section 226 and schedule 8; Energex, *Energex Network Tariff Guide, 1 July 2022 to 30 June 2023*, 2022.

<sup>89</sup> AER, *AER Retail Pricing Information Guidelines* [version 5.0], 2018, p 10, clause 43.

establishment fees, annual membership fees, late payment fees, payment processing fees and metering fees.<sup>90</sup>

A review of retailers' fees included on Energy Made Easy showed that—as in previous years—the type and value of fees and charges of each retailer did not vary significantly across the four quarters of 2022–23, between the three residential tariffs and tariff combinations, or between the two small business tariffs. Therefore, our analysis only focuses on the types of fees and charges that were attached to residential flat rate offers and small business flat rate offers in the June quarter of 2023. This is the same approach we used in our six previous annual market monitoring reports.

## 4.2 Restrictions on fees for standing offer customers

When the National Energy Customer Framework (NECF) was introduced in Queensland on 1 July 2015, Queensland-specific 'derogations' were added to the framework, including a restriction on standing offer fee types. Under section 22A of the National Energy Retail Law (NERL), standing offer (standard contract) customers in Queensland can only be charged three types of fees:

- historical billing data fee for data that is more than two years old, if requested by a customer
- retailer's administration fee for a dishonoured payment
- financial institution fee for a dishonoured payment.<sup>91</sup>

We have written to each retailer that is operating in the SEQ retail electricity market to inform them of their obligations under the NECF.

We regularly check retailers' plans that are published on Energy Made Easy to see if any standing offers have fees attached that retailers are not allowed to charge customers in Queensland. Whenever we identify standing offers that have prohibited fees attached, we contact the respective retailer(s) to enquire if any standing offer customers have in fact been charged such fees. If that is the case, the retailer has breached section 22A of the NERL and is expected to inform the QCA within two business days of its breach. With every breach of section 22A of the NERL, we undertake compliance actions to ensure the matter is rectified in the interests of consumers.

The model terms and conditions for standard retail contracts are set out in schedule 1 of the National Energy Retail Rules (NERR). Clause 10.4 of the model terms and conditions provides that if a customer has not paid a bill on time, the retailer may require the customer to pay a late payment fee. Clause 10.4 also includes a 'required alteration' note, which requires the clause to be deleted if a state or territory law prohibits small customers being charged a late payment fee.<sup>92</sup>

Retail fee information published in retailers' standard retail contracts and/or fee schedules on retailers' websites does not always reflect these requirements. As we have observed in previous years, some retailers:

- did not separately list their fees for standard or market contracts, making it difficult for customers to determine whether these fees apply to them
- included late payment fees in their standard retail contracts, and only indicated that clause 10.4 did not apply in Victoria or New South Wales but did not mention Queensland

<sup>90</sup> AER, *AER Retail Pricing Information Guidelines* [version 5.0], 2018, p 10, clauses 43 and 47.

<sup>91</sup> Section 22A specifies that retailers' standing offer prices 'may comprise only fees and charges of types that were the subject of the notified prices for the financial year immediately preceding the day the price determination no longer applies'. These three fee types are the fees that were included in the QCA's price determination for 2015–16 (National Energy Retail Law, section 22A; Queensland Government, *Gazette: Extraordinary* [vol 369, no 36], 19 June 2015, p 190).

<sup>92</sup> NERR, rule 12 and schedule 1.

- included the full, unaltered text of clause 10.4 of the model terms and conditions in their standard retail contract; that is, their contract indicated that late payment fees may be payable and that deletion of the clause was a required alteration where charging late payment fees was not permitted by a state or territory law.<sup>93</sup>

### 4.3 Limitation of fee amounts

The AEMC made changes to the NERR in February 2020 to restrict conditional fees to the 'reasonable costs' a retailer is likely to incur when payment conditions are not met.<sup>94</sup> The AEMC decided not to set a guideline for reasonable cost levels, nor to require the AER to create such a guideline. Among the reasons for this decision, the AEMC considered that 'reasonable costs' was a 'widely used and understood concept'. The AEMC suggested that applying a principles-based approach to the rule would provide flexibility to the AER to enforce the rule on a case-by-case basis, and to retailers to comply with the rule.<sup>95</sup>

In addition, the *Competition and Consumer Act 2010* (Cth) (part IVC) may prevent retailers from levying excessive credit or debit card payment processing fees. The ACCC has recently clarified that a payment surcharge is excessive and in breach of the law if it exceeds the costs to the business of processing the payment. We note that the ACCC has issued several infringement notices for excessive payment surcharges in recent years.

### 4.4 Charging for paper bills

In March 2021, the AEMC made a rule change that replaced the energy bill content and billing requirements in the NERR with a requirement that retailers comply with a mandatory billing guideline developed by the AER. In developing its rule change, the AEMC considered the issue of customers having access to paper bills, free of charge. In a submission to the review, the AER indicated that it would like to have the ability to specify in the new guideline that paper bills must be available for both standard and market retail contracts, free of charge. The AEMC decided not to provide the AER with the power to require retailers to provide paper bills for all market offers.<sup>96</sup>

The AER's Better Bills Guideline provides guidance to retailers on preparing and issuing bills. Stakeholders had submitted to the AER that paper bills are the preferred—and sometimes the only—way to receive bills and manage payments and energy usage for many people in the community, including people on low incomes, people in vulnerable situations and older people.<sup>97</sup> Nevertheless, the AER only encourages retailers, as a matter of best practice, to offer paper bills for all retail contracts, so that customers who cannot, or choose not to, communicate through online channels, are not excluded from accessing competitively priced plans.<sup>98</sup>

<sup>93</sup> QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, pp 75–76.

<sup>94</sup> A new division 7A (Customer retail contracts – conditional fees) in the NERR contains the relevant rule 52B (AEMC, *National Energy Retail Amendment (Regulating conditional discounting) Rule 2020 No 1* [final rule], 2020, schedule 1).

<sup>95</sup> AEMC, *National Energy Retail Amendment (Regulating conditional discounting) Rule* [final determination], 2020, pp ii, 36, 39.

<sup>96</sup> AEMC, *Bill contents and billing requirements* [rule determination], 2021, pp 24–25; AER, *submission to the AEMC, National Energy Retail Amendment (Bill contents and billing requirements) Rule* [draft determination], 5 February 2021, pp 3–4; AER, *AER Strategic Plan 2020–2025*, 2020, p 10.

<sup>97</sup> Public Interest Advocacy Centre (PIAC), *submission to the AER, Draft Better Bills Guideline*, 27 January 2022, p 5.

<sup>98</sup> AER, *Better Bills Guideline*, 2022; AER, *Notice of Instrument: Better Bills Guideline*, 2022, p 48. We note that some retailers still offered plans in 2022–23 with specific eligibility criteria attached—such as customers agreeing to receive bills by email—which effectively prevent certain customers from accessing those plans as they cannot (or do not want to) receive bills electronically.

## 4.5 Retail fees—residential flat rate offers

### 4.5.1 Market offers

Residential flat rate market offers available on Energy Made Easy in the June quarter of 2023 included the following retail fees, as shown in Table 12:

- credit and debit card payment processing fees
- processing fees for payments made by BPay, cheque or over the counter at Australia Post
- dishonoured cheque and direct debit payment fees ('dishonour payment fees')
- paper bill fees
- late payment fees
- membership fees
- account establishment fees
- administration fees.



**Table 12 Retail fees—residential flat rate market offers, June 2023**

Retailer	Card payment processing fee			Other payment processing fee		Dishonour payment fee		Paper bill fee	Late payment fee	Member-ship fee (per year)	Account establish-ment fee	Admin fee
	Credit / debit card—general	Visa / Mastercard	Amex / Diners Club	BPay / cheque	Australia Post over the counter	Cheque	Direct debit					
AGL	0.64% / 0.14% <sup>a</sup>	—	—	—	\$2.00 or 0.49%	—	—	\$1.75	\$12	—	—	—
Amber Electric	1.00%	—	—	—	—	—	\$11	—	\$16	\$180	—	—
Ampol Energy	—	0.23%/0.20% <sup>b</sup> 0.54%/0.37% <sup>c</sup>	0.80%	—	\$3.30 / 0.76% <sup>d</sup>	—	—	\$1.65	—	—	—	—
CovaU	0.82%	—	—	—	0.803% <sup>e</sup>	\$9.50	\$9.50	—	—	—	—	—
Diamond Energy	—	0.60%	—	—	—	\$20	\$10	—	\$15	—	\$22	—
Dodo Power & Gas	—	—	2.89%	\$2.50	\$2.20	—	\$9.50	\$2.20	—	—	—	—
Energy Locals	0.46% <sup>f</sup>	0.81% <sup>f</sup>	0.81% <sup>f</sup>	—	—	—	\$10	\$2	\$16	\$159 / \$216	—	—
EnergyAustralia	—	0.36%	1.50% <sup>g</sup>	—	—	—	—	\$1.69	\$12	—	—	—
Momentum Energy	—	0.53%	—	—	—	—	—	—	—	—	—	—
Origin Energy	—	0.24%/0.28% <sup>h</sup> 0.56%/0.64% <sup>i</sup>	—	—	\$2.70 or 0.49% <sup>j</sup>	—	—	\$1.75	\$12	—	—	—
Radian Energy	1.00%	—	—	—	—	—	\$5	\$2	\$15	—	—	—
ReAmped Energy	1.00%	—	—	—	—	—	—	—	—	—	—	—
Simply Energy	—	0.42%/0.36% <sup>k</sup>	—	\$0.34/\$0.40 <sup>l</sup>	\$2.50	—	\$9	\$1.65	\$12	—	—	—
Sumo Power	0.70% <sup>m</sup>	—	—	—	\$2.00	—	\$2.75	\$3.10	—	—	—	\$5.50

*a* Debit card payment fee (0.14%); credit card payment fee (0.64%).

*b* Visa debit card payment fee (0.23%); Mastercard debit card payment fee (0.20%).

*c* Visa credit card payment fee (0.54%); Mastercard payment fee (0.37%).

*d* This fee applied to over-the-counter payments made in-person at a post office in addition to the 0.76% fee per card transaction.

*e* 0.803% applied to credit card payments via Australia Post.

*f* Processing fees for payments made via direct debit using a credit or debit card were waived.

*g* Fee applied to payments made using American Express.

*Notes:* Amex stands for American Express. A dash (—) means the retailer did not attach the fee type to any of its residential flat rate market offers available on Energy Made Easy in the June quarter. Fees and charges listed did not necessarily apply to all plans published by the retailers.

*Source:* Energy Made Easy; QCA analysis

*h* Visa debit card payment fee (0.24%); Mastercard debit card payment fee (0.28%).

*i* Visa credit card payment fee (0.56%); Mastercard credit card payment fee (0.64%).

*j* Although the fee description field stated that a payment processing fee of the higher of \$2.70 or 0.49% 'may apply' if a payment was made at an Australia Post outlet, the fee percentage was included as zero.

*k* Visa debit card payment fee (0.42%); Mastercard debit card payment fee (0.36%).

*l* Cheque payment fee (\$0.40); BPay payment fee (\$0.34).

*m* A fee only applied to payments made by credit card.

### General observations

In the June quarter of 2023, 14 of the 21 retailers with residential flat rate market offers available on Energy Made Easy attached retail fees to at least one of their plans. This compares to 25 of the 34 retailers in the June quarter of 2022.<sup>99</sup> Most of the retail fee types and levels were the same as, or similar to, those in the June quarter of 2022.

The 7 retailers that did not attach retail fees to any of their residential flat rate market offers on Energy Made Easy in the June quarter of 2023 were Alinta Energy, GloBird Energy, Kogan Energy, Nectr, Ovo Energy, Powershop and Red Energy. However, all 21 retailers either stated on Energy Made Easy that they reserved the right to charge or impose additional fees and charges or provided links to their websites for more information on fees.

### Card payment processing fees

Payment processing fees on credit card payments ranged from 0.36% (payments made to EnergyAustralia or Simply Energy by Mastercard) to 2.89% (payments made to Dodo Power & Gas by Amex or Diners Club). The range of credit card fees was smaller in the June quarter of 2022 (0.36% to 4.00%).

Payment processing fees on debit card payments ranged from 0.14% (payments made to AGL) to 1.00% (charged by ReAmped Energy). The range of debit card fees was similar to that in the June quarter of 2022 (0.17% to 1.00%).

### Other payment processing fees

Seven retailers attached other payment processing fees to at least one of their residential flat rate market offers in the June quarter of 2023. The fees and their level were similar to those attached in the June quarter of 2022.

As in the June quarter 2022, Origin Energy stated on each plan that a payment processing fee may apply to payments at an Australia Post outlet of the higher of \$2.70 or 0.49%, but it did not indicate which payment methods the fee applied to. While the fee amount field on Energy Made Easy correctly stated the amount as \$2.70, the fee percentage was included as zero.

EnergyAustralia stated in the additional fee information field on Energy Made Easy for all plans that payment processing fees could be avoided by paying from a bank account using direct debit or BPay, like it did for most plans in the June quarter of 2022.

### Dishonour payment fees

Fees for dishonoured cheque payments ranged from \$9.50 (CovaU) to \$20 (Diamond Energy), and fees for dishonoured direct debit payments ranged from \$5 (Radian Energy) to \$11 (Amber Electric). The range of dishonour payment fees was smaller than in the June quarter of 2022 (\$7.50 to \$20 for cheque payments and \$0.275 to \$15 for dishonoured direct debit payments).

In addition, Sumo Power had a 'dishonoured payment fee' of \$2.75 attached to each plan without stating which type(s) of payment it related to. As in the June quarter of 2022, the fee was coded as an 'other fee' on Energy Made Easy, while other retailers generally coded their dishonour payment fees as either a fee for dishonoured cheque or dishonoured direct debit payments.

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<sup>99</sup> QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, pp 62–65.

### Paper bill fees

Paper bill fees ranged from \$1.65 (Ampol Energy and Simply Energy) to \$3.10 (Sumo Power). The range of fees was identical to that in the June quarter of 2022 (\$1.65 to \$3.10).

### Late payment fees

We identified 8 retailers that attached late payment fees to at least one of their market offers, ranging from \$12 (AGL, EnergyAustralia, Origin Energy and Simply Energy) to \$16 (Amber Electric and Energy Locals). The range of fees was identical in the June quarter of 2022 (\$12 to \$16).

GloBird Energy was the only retailer that did not attach late payment fees but did attach pay on time discounts to some of its residential flat rate market offers in the June quarter of 2023, thereby providing a separate incentive to customers to pay on time. Diamond Energy again attached both a late payment fee and a pay on time discount.<sup>100</sup>

### Membership fees

Of the 4 retailers that attached membership fees in the June quarter of 2022, 2 retailers attached the same type and value of membership fees to at least one of their market offers in the June quarter of 2023 again:

- Amber Electric attached a membership fee of \$180 (\$15/month) to access wholesale rates.
- Energy Locals attached a membership fee of \$159 (\$12.99/month; 2 market offers) or \$216 (\$17.99/month; 1 market offer) to access wholesale energy rates.

### Account establishment fees

As in the June quarter of 2022, Diamond Energy attached an account establishment fee of \$22 to its market offer in the June quarter of 2023, which was payable upon transfer from another retailer. In the June quarter of 2022, Mojo Power also attached an account establishment fee to its residential flat rate market offers, but it did not have any residential flat rate market offers published in the June quarter of 2023.

### Administration fees

Sumo Power stated in the additional fee information field on Energy Made Easy with both market offers that it would pass through any fee from the distributor, including fees for disconnection or reconnection, or special meter read (move-out), plus a \$5.50 admin fee.

### Exit fees

In June 2017 and 2018, as well as in the June quarter of 2019, we identified exit fees (or early termination fees) attached to some of EnergyAustralia's residential market offers.<sup>101</sup> However, none of the retailers attached exit fees to any of their residential flat rate market offers in the June quarters of 2020, 2021, 2022 and 2023. Some retailers explicitly stated on Energy Made Easy for all or most of their plans that they did not have any exit fees attached (Amber Electric, Energy Locals, Enova Energy, Kogan Energy, Powershop and Social Energy).

<sup>100</sup> Pay on time discounts in the June quarter of 2023 are outlined in chapter 3 (section 3.4.1).

<sup>101</sup> QCA, *SEQ retail electricity market monitoring: 2016–17*, 2017, p 84; QCA, *SEQ retail electricity market monitoring: 2017–18* [updated report], 2019, p 100; QCA, *SEQ retail electricity market monitoring: 2018–19*, 2019, pp 56–58.

## 4.5.2 Standing offers

In the June quarter of 2023, 10 of the 24 retailers with residential flat rate standing offers available on Energy Made Easy attached retail fees to at least one of their plans, as Table 13 shows.

**Table 13 Retail fees—residential flat rate standing offers, June quarter 2023**

Retailer	Dishonour payment fee		Late payment fee	Australia Post fee	Card payment processing fee	Membership fee (per year)
	Cheque	Direct debit				
1st Energy	\$15.00	\$7.50	—	—	—	—
Amber Electric	—	\$11.00	\$16.00	—	1.00%	\$180
CovaU	\$9.50	\$9.50	—	0.803% <sup>a</sup>	0.82%	—
Diamond Energy	—	\$10.00	—	—	—	—
Dodo Power & Gas	—	\$9.50	—	—	—	—
Energy Locals	—	\$10.00	—	—	—	—
Mojo Power	—	\$2.50	—	—	—	—
QEnergy	\$14.85	—	—	—	—	—
Sumo Power	\$2.75 <sup>b</sup>		—	—	—	—
Tango Energy	\$7.50	\$7.50	—	—	0.32% / 0.60%–0.75% / 0.75%–0.78% <sup>c</sup>	—

*a* Fee applied to over-the-counter payments made using a credit card at an Australia Post outlet.

*b* Sumo Power did not specify whether this fee applied to cheque, debit or both payments types.

*c* Debit card payment fee (0.32%); Mastercard and Visa credit card payment fee range (0.60% to 0.75%); Amex payment fee range (0.75% to 0.78%). Fees did not apply to direct debit payments by credit card.

Source: Energy Made Easy; QCA analysis

Of the 10 retailers with fees attached to some or all of their residential flat rate standing offers, all 10 retailers attached dishonour payment fees to at least one of their standing offers. This compares to 14 of the 17 retailers in the June quarter of 2022.<sup>102</sup>

Fees for dishonoured cheque payments ranged from \$7.50 (Tango Energy) to \$15 (1st Energy), and fees for dishonoured direct debit payments ranged from \$2.50 (Mojo Power) to \$11 (Amber Electric). The range of fees in the June quarter of 2023 was similar, or identical, to that in the June quarter of 2022: fees for dishonoured cheque payments ranged from \$7.50 to \$15, and fees for dishonoured direct debit payments ranged from \$2.50 to \$15.

In addition, Sumo Power had a ‘dishonoured payment fee’ of \$2.75 attached to its standing offer, without stating which type(s) of payment it related to. As in the June quarter of 2022, the fee was coded as an ‘other fee’ on Energy Made Easy, while other retailers generally coded their dishonour payment fees as either a fee for dishonoured cheque or dishonoured direct debit payments.

We also identified a number of standing offers that included fees that are not allowed to be charged to standing offer customers in Queensland, including late payment fees, fees for payments made at Australia Post outlets, card payment processing fees and membership fees. Standing offers that had such fees attached were from Amber Electric, CovaU and Tango Energy (Table 13). We checked with each of these retailers if any standing offer customers had been charged prohibited fees. They promptly replied to our enquiry as follows:

<sup>102</sup> For a more detailed comparison and assessment of the fees attached to residential flat rate standing offers in the June quarter of 2022, see QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, pp 65–66.

- Amber Electric advised that it had not charged any of these fees to standing offer customers.
- CovaU advised that it had charged one customer an over-the-counter fee of \$2.73 for making a payment at Australia Post. CovaU has credited the amount to the affected customer.
- Tango Energy advised that credit and debit card payment fees had inadvertently been charged 25 times between 1 July 2022 and 14 September 2023 to standing offer customers. The total value of these fees was \$36.99. It advised that these customers were incorrectly charged as they indicated that they were on market offers when making their payment. Tango Energy has credited back all affected customers and implemented an IT system change to avoid this situation in the future.<sup>103</sup>

Both breaches were addressed through an administrative resolution (voluntary undertaking), given that the retailers addressed the breaches and promptly credited all affected customers.

In terms of the additional fee information on Energy Made Easy, three retailers mentioned the possibility of charging additional fees:

- EnergyAustralia stated that customers could avoid payment processing fees by paying from their bank account using direct debit or BPay.
- Alinta Energy and Ovo Energy stated that they reserved the right to change or impose additional fees or charges; if that happened, they would notify customers.

We consider that the fee information on these three retailers' standing offers does not align with the restriction on the types of fees that can be attached to standing offers in Queensland.

## 4.6 Retail fees—small business flat rate offers

### 4.6.1 Market offers

Small business flat rate market offers available on Energy Made Easy in the June quarter of 2023 included the following retail fees, as shown in Table 14:

- credit and debit card payment processing fees
- processing fees for payments made by BPay, cheque or over the counter at Australia Post
- dishonoured cheque and direct debit payment fees ('dishonour payment fees')
- paper bill fees
- late payment fees
- membership fees
- account establishment fees
- metering fees
- administration fees.

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<sup>103</sup> All three retailers attached prohibited fees to both residential and small business standing offers and did not specify in their report to the QCA whether the affected customers were residential or small business customers.

**Table 14 Retail fees—small business flat rate market offers, June 2023**

Retailer	Card payment processing fee			Other payment processing fee		Dishonour payment fee		Paper bill fee	Late payment fee	Membership fee (per year)	Account establishment fee	Metering fee (per day)	Admin fee
	Credit / debit card—general	Visa / Mastercard	Amex / Diners Club	BPay / cheque	Australia Post over the counter	Cheque	Direct debit						
AGL	0.64%/0.14% <sup>a</sup>	—	—	—	0.49% / \$2.00 <sup>b</sup>	—	—	\$1.75	\$12	—	—	—	—
Amber Electric	1.00%	—	—	—	—	—	\$11.00	—	\$16	\$180	—	—	—
Blue NRG	—	0.97%	1.39%	—	—	—	\$11.97	\$5.50	—	—	—	—	—
CovaU	0.82%	—	—	—	0.803% <sup>c</sup>	—	\$9.50	\$9.50	—	—	—	—	—
Diamond Energy	—	0.60%	—	—	—	—	\$20.00	\$10.00	—	—	\$22	—	—
Energy Locals	0.46% <sup>d</sup>	0.81% <sup>d</sup>	0.81% <sup>d</sup>	—	—	—	—	\$10.00	\$2.00	\$180	—	\$2.50 <sup>e</sup>	—
EnergyAustralia	—	0.36%	1.50%	—	—	—	—	—	\$12	—	—	—	—
Momentum Energy	0.53%	—	—	—	—	—	—	—	—	—	—	\$2.98 <sup>f</sup>	—
Origin Energy	—	0.24%/0.28% <sup>g</sup> 0.56%/0.64% <sup>h</sup>	—	—	\$2.70 or 0.49% <sup>i</sup>	—	—	\$1.75	\$12	—	—	—	—
ReAmped Energy	1.00%	—	—	—	—	—	—	—	\$12	—	—	—	—
Simply Energy	—	0.42%/0.36% <sup>j</sup>	—	\$0.34/ \$0.40 <sup>k</sup>	\$2.50	—	\$9.00	\$1.65	\$12	—	—	—	—
Sumo Power	0.70% <sup>l</sup>	—	—	—	\$2.00	—	\$2.75	\$3.10	—	—	—	—	\$5.50

a Debit card payment fee (0.14%), credit card payment fee (0.64%).

b Credit card payment fee via Australia Post outlet (0.49%); over-the-counter payment fee at an Australia Post outlet (\$2).

c 0.803% (inc. GST) applied to credit card payments via Australia Post.

d Processing fees for payments made via direct debit using a credit or debit card were waived.

e Additional metering fee COMMS type 3–4 (incl. GST), only if applicable.

f COMMS (Type 1–4) daily metering charge, if applicable.

g Visa debit card payment fee (0.24%); Mastercard debit card payment fee (0.28%).

h Visa credit card payment fee (0.56%); Mastercard credit card payment fee (0.64%).

i Although the fee description field stated that a payment processing fee of the higher of \$2.70 or 0.49% 'may apply' if a payment was made at an Australia Post outlet, the fee percentage was included as zero.

j Visa debit card payment fee (0.42%); Mastercard debit card payment fee (0.36%).

k BPay payment fee (\$0.34); cheque payment fee (\$0.40).

l A fee only applied to payments made by credit card.

Notes: Amex stands for American Express. A dash (—) means the retailer did not attach the fee type to any of its small business flat rate market offers available on Energy Made Easy in the June quarter. Fees and charges listed did not necessarily apply to all plans published by the retailers.

Source: Energy Made Easy; QCA analysis

### General observations

In the June quarter of 2023, 12 of the 15 retailers with small business flat rate market offers available on Energy Made Easy attached retail fees to at least one of their plans. This compares to 25 of 29 retailers in the June quarter of 2022.<sup>104</sup> Most of the retail fee types and levels were the same as, or similar to, those in the June quarter of 2022.

The 3 retailers that did not attach retail fees to any of their small business flat rate market offers in the June quarter of 2023 were Alinta Energy, Powershop and Red Energy. However, all 15 retailers either stated on Energy Made Easy that they reserved the right to charge or impose additional fees and charges or provided links to their websites for more information on fees.

### Card payment processing fees

Payment processing fees on credit card payments ranged from 0.36% (for payments made to EnergyAustralia by Mastercard) to 1.50% (for payments made to EnergyAustralia by Amex or Diners Club). The range of credit card payment fees was smaller than in the June quarter of 2022 (0.36% to 4.00%).

Payment processing fees on debit card payments ranged from 0.14% (payments made to AGL) to 1.00% (charged by Amber Electric and ReAmped Energy). The range of debit card payment fees was slightly larger than in the June quarter of 2022 (0.17% to 1.00%).

### Other payment processing fees

Five retailers attached other payment processing fees to at least one of their small business flat rate market offers in the June quarter of 2023. The fees were the same types and almost at identical levels as the fees attached in the June quarter of 2022.

As in the June quarter 2022, Origin Energy stated on each plan that a payment processing fee may apply to payments at an Australia Post outlet of the higher of \$2.70 or 0.49%, but it did not indicate which payment methods the fee applied to. While the fee amount field on Energy Made Easy correctly stated the amount as \$2.70, the fee percentage was included as zero.

### Dishonour payment fees

Fees for dishonoured cheque payments ranged from \$9.50 (CovaU) to \$20 (Diamond Energy), and fees for dishonoured direct debit payments ranged from \$9 (Simply Energy) to \$11.97 (Blue NRG). The range of dishonour fees was narrower than in the June quarter of 2022 (\$7.50 to \$20 for dishonoured cheque payments, and \$5 to \$15 dishonoured direct debit payments).

In addition, Sumo Power had a 'dishonoured payment fee' of \$2.75 attached to each plan without stating which type(s) of payment it related to. As in the June quarter of 2022, the fee was coded as an 'other fee' on Energy Made Easy, while other retailers generally coded their dishonour payment fees as either a fee for dishonoured cheque or dishonoured direct debit payments.

### Paper bill fees

Paper bill fees ranged from \$1.65 (Simply Energy) to \$5.50 (Blue NRG). The range of fees was identical to that in the June quarter of 2022 (\$1.65 to \$5.50).

### Late payment fees

We identified 8 retailers that attached late payment fees to at least one of their small business flat rate market offers, ranging from \$12 (AGL, EnergyAustralia, Origin Energy, ReAmped Energy

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<sup>104</sup> QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, pp 69–70.

and Simply Energy) to \$16 (Amber Electric and Energy Locals). The range of fees was narrower than in the June quarter of 2022 (\$12 to \$30).

As in the June quarter of 2022, Diamond Energy again attached a late payment fee and a pay on time discount to its market offer.

#### Membership fees

Of the 3 retailers that attached membership fees in the June quarter of 2022, 2 retailers attached the same type and value of membership fees to at least one of their market offers in the June quarter of 2023 again:

- Amber Electric attached a membership fee of \$180 (\$15/month) to access wholesale rates.
- Energy Locals attached a monthly membership fee of \$29.99 to access wholesale energy rates, with the first 6 months' membership total credited back to the customer's account after 6 months (\$180 for the first year).

#### Account establishment fees

As in the June quarter of 2022, Diamond Energy attached an account establishment fee of \$22 to its market offer, which was payable upon transfer from another retailer. In the June quarter of 2022, Mojo Power also attached an account establishment fee to its small business flat rate market offer, but it did not have any small business flat rate market offers published in the June quarter of 2023.

#### Metering fees

Of the 6 retailers that attached meter read fees in the June quarter of 2022, 2 retailers attached the same type and value of metering fees to at least one of their market offers in the June quarter of 2023 again:

- Energy Locals attached an 'additional metering fee COMMS type 3–4' of \$2.50 per day, 'only if applicable' to its market offers, like it did in the June quarter of 2022.
- Momentum Energy attached an 'other fee' of \$2.98 to each market offer described as 'COMMS (Type 1–4) daily metering charge if applicable'.

#### Administration fees

Sumo Power stated in the additional fee information field on Energy Made Easy that it would pass through any fee from the distributor, including fees for disconnection or reconnection, or special meter read (move-out), plus a \$5.50 admin fee.

#### Exit fees

We identified exit fees (or early termination fees) attached to some of EnergyAustralia's and Origin Energy's small business market offers in June 2017 and 2018, as well as in the June quarter of 2019.<sup>105</sup> However, none of the retailers attached exit fees to any of their small business flat rate market offers in the June quarters of 2020, 2021, 2022 and 2023. Some retailers explicitly stated on Energy Made Easy with all or most of their plans that they did not have any exit fees attached (Amber Electric, Energy Locals, Enova Energy and Powershop).

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<sup>105</sup> QCA, *SEQ retail electricity market monitoring: 2016–17*, 2017, p 89; QCA, *SEQ retail electricity market monitoring: 2017–18* [updated report], 2019, p 103; QCA, *SEQ retail electricity market monitoring: 2018–19*, 2019, pp 61–65.



## 4.6.2 Standing offers

In the June quarter of 2023, 9 of the 19 retailers with small business flat rate standing offers available on Energy Made Easy attached retail fees to at least one of their plans, as Table 15 shows.

**Table 15 Retail fees—small business flat rate standing offers, June 2023**

Retailer	Dishonour payment fee		Late payment fee	Australia Post fee	Card payment processing fee	Member-ship fee (per year)	Meter fee
	Cheque	Direct debit					
1st Energy	\$15.00	\$7.50	—	—	—	—	—
Amber Electric	—	\$11.00	\$16	—	1.00%	\$180	—
Blue NRG	—	\$10.89	—	—	—	—	—
CovaU	\$9.50	\$9.50	—	0.803% <sup>a</sup>	0.82%	—	—
Diamond Energy	—	\$10.00	—	—	—	—	—
Energy Locals	—	\$10.00	—	—	—	—	\$2.50 <sup>b</sup>
QEnergy	\$14.85	—	—	—	—	—	—
Sumo Power	\$2.75 <sup>c</sup>		—	—	—	—	—
Tango Energy	\$7.50	\$7.50	—	—	0.32% / 0.60%–0.75% 0.75%–0.78% <sup>d</sup>	—	—

*a* 0.803% (inc. GST) applied to credit card payments via Australia Post.

*b* Additional metering fee COMMS type 3–4 (inc GST), per day, only if applicable.

*c* Sumo Power did not specify whether this fee applied to cheque, debit or both payment types.

*d* Debit card payment fee (0.32%); Mastercard and Visa credit card payment fee range (0.60% to 0.75%); Amex payment fee range (0.75% to 0.78%). Fees did not apply to direct debit payments by credit card.

Source: Energy Made Easy; QCA analysis

Of the 9 retailers with fees attached to some or all of their small business flat rate standing offers, all 9 retailers attached dishonour payment fees to at least one of their standing offers. This compares to 11 of the 15 retailers in the June quarter of 2022.<sup>106</sup>

Fees for dishonoured cheque payments ranged from \$7.50 (Tango Energy) to \$15 (1st Energy) and fees for dishonoured direct debit payments ranged from \$7.50 (1st Energy and Tango Energy) to \$11 (Amber Electric). In the June quarter of 2022, the range of fees for dishonoured cheque payments was identical, and fees for dishonoured direct debit payments ranged from \$5 to \$15.

In addition, Sumo Power had a ‘dishonoured payment fee’ of \$2.75 attached to its standing offers without stating which type(s) of payment it related to. As in the June quarter of 2022, the fee was coded as an ‘other fee’ on Energy Made Easy, while other retailers generally coded their dishonour payment fees as either a fee for dishonoured cheque or dishonoured direct debit payments. And Energy Locals included specific meter read fees (\$2.50 per day).

We also identified a number of standing offers that included retail fees that are not allowed to be charged to standing offer customers in Queensland, including late payment fees, fees for payments made at Australia Post outlets, card payment processing fees and membership fees. Standing offers that had such fees attached were from Amber Electric, CovaU and Tango Energy (Table 15). We checked with each of these three retailers if any standing offer customers had been charged prohibited fees. They promptly replied to our enquiry as follows:

- Amber Electric advised that it had not charged any of these fees to standing offer customers.
- CovaU advised that it had charged one customer an over-the-counter fee of \$2.73 for making a payment at Australia Post. CovaU has credited the amount to the affected customer.

<sup>106</sup> For a more detailed comparison and assessment of the fees attached to small business flat rate standing offers in the June quarter of 2022, see QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, pp 72–73.

- Tango Energy advised that credit and debit card payment fees had inadvertently been charged 25 times between 1 July 2022 and 14 September 2023 to standing offer customers. The total value of these fees was \$36.99. It advised that these customers were incorrectly charged as they indicated they were on market offers when making their payment. Tango Energy has credited back all affected customers and implemented an IT system change to avoid this situation in the future.<sup>107</sup>

In terms of the additional fee information on Energy Made Easy, two retailers mentioned the possibility of charging additional fees:

- EnergyAustralia stated that customers could avoid payment processing fees by paying from their bank account using direct debit or BPay.
- Alinta Energy stated that it reserved the right to change or impose additional fees or charges; if that happened, it would notify customers.

We consider the fee information on these two retailers' standing offers does not align with the restriction on the types of fees that can be attached to standing offers in Queensland.

## 4.7 Metering charges

### 4.7.1 Meter read fees

Table 16 shows the meter read fees attached to retailers' standing and market offers. As the fees were similar—or even identical—across the tariffs and tariff combinations, and in the four quarters of 2022–23, the table only presents the fees attached to residential flat rate and small business flat rate plans in the June quarter of 2023.

**Table 16 Meter read fees—residential and small business flat rate plans, June quarter 2023**

Retailer	Meter read fees	
	Residential flat rate plans (\$)	Small business flat rate plans (\$)
AGL	13.27	13.27
CovaU	13.27	13.27
EnergyAustralia	13.27	—
Energy Locals	—	78.77
Kogan Energy	13.27	—
Origin Energy	13.27	13.27
ReAmped Energy	13.27	13.27
Simply Energy	13.27	13.27

*Notes: A dash (—) means the retailer did not attach meter read fees to any of its plans or did not have any residential or small business flat rate plans available on Energy Made Easy in this quarter. Not every retailer attached meter read fees to its plans in this quarter. Where a retailer had fees attached, it did not necessarily attach those fees to all the plans. Fee amounts with three decimal places have been rounded to two decimal places. Source: Energy Made Easy.*

The meter read fee of \$13.27 is consistent with the GST inclusive 2022–23 price charged by Energex for a special meter reading (excluding final read).<sup>108</sup> Nonetheless, many retailers coded the meter read fee as a connection or reconnection fee on Energy Made Easy, and stated the fee amount may vary. Energy Locals attached a \$78.77 final meter read fee, which it stated may be charged when the customer moves out. It said the actual fee may vary.

<sup>107</sup> All three retailers attached prohibited fees to both residential and small business standing offers and did not specify in their report to the QCA whether the affected customers were residential or small business customers.

<sup>108</sup> Energex, *2022–23 network price list*, June 2022.

We consider that retailers should always provide a link from Energy Made Easy to a page on their website where customers can access clear, SEQ-specific, additional information on applicable meter read fees.

#### 4.7.2 Energex metering charges

Since 1 July 2015, Energex has been required to separate its metering charges to allow transparency of metering costs. Energex's daily metering service charge recovers the cost for the provision of 'type 6' metering services, which includes meter provision, meter reading, meter maintenance and meter data services. Table 17 shows the applicable daily metering service in 2022–23.

**Table 17 Energex's daily metering service charges in 2022–23**

Tariff	Energex metering service charges	
	Daily charge (cents)	Annual charge (\$)
Primary tariff	10.800	39.45
Load control	3.148	11.50
Solar photovoltaic	7.751	28.31

*Note: The metering charges are GST exclusive.*

*Source: Energex, [Network tariffs & pricing](#), Energex website, n.d., accessed 1 November 2023.*

Some retailers include Energex's primary, load control and solar metering service charges in the daily supply charges of their standing and market offers, and some retailers have a separate metering charge.<sup>109</sup> However, based on the information on Energy Made Easy, it is unclear how retailers bill customers for Energex's primary, load control and solar metering service charges.

As we stated in previous market monitoring and solar feed-in tariff monitoring reports, we consider that all retailers should clearly identify Energex's metering charges, or state that they do not levy these charges if that is the case, in their plans on Energy Made Easy. This would make information for customers clearer and make it easier for them to compare plans.

#### 4.7.3 Advanced digital metering charges

The AER's retail pricing information guidelines require retailers to disclose metering arrangements and any associated costs on electricity plans published on Energy Made Easy.<sup>110</sup> Also, metering fees are included in the list of 'key fees' that retailers must include on energy plans where the fee will be incurred by all or a significant portion of customers.<sup>111</sup> Table 18 summarises retailers' disclosure of advanced digital metering (ADM) charges in the SEQ retail market in the June quarter of 2023 on Energy Made Easy.

**Table 18 Retailers' disclosure of advanced digital metering charges attached to residential and small business flat rate offers in SEQ, June quarter 2023**

Retailer	Advanced digital metering charges
Amber Electric	Amber Electric will install a smart meter if the customer does not have a smart meter.
Blue NRG	Blue NRG noted that 'metering charge costs can vary' and asked customers to contact Blue NRG for more details.

<sup>109</sup> Queensland Government, [Meter service charges](#), Queensland Government website, updated 1 July 2022, viewed 1 November 2023; QCA, [SEQ retail electricity market monitoring: 2016–17](#), 2017, pp 9–10; QCA, [SEQ retail electricity market monitoring: 2017–18](#) [updated report], 2019, p 6; QCA, [SEQ retail electricity market monitoring: 2018–19](#), 2019, p 131; QCA, [SEQ retail electricity market monitoring 2019–20](#) [appendices], 2020, pp 42–43; QCA, [SEQ retail electricity market monitoring 2021–22](#) [appendices], 2022, pp 34–35.

<sup>110</sup> AER, [AER Retail Pricing Information Guidelines](#) [version 5.0], 2018, p 11, clause 48(j).

<sup>111</sup> AER, [AER Retail Pricing Information Guidelines](#) [version 5.0], 2018, p 10, clauses 43, 47(j).

Retailer	Advanced digital metering charges
GloBird Energy	GloBird Energy stated that minimum connection fees applied, which varied depending on meter type, location or other factors. Customers were directed to visit the GloBird Energy fees webpage for further information.
Red Energy	Red Energy stated that charges may vary and advised customers to contact the retailer for specific metering charges.
Simply Energy	Simply Energy noted that it may vary customers' rates and charges at any time, including if any underlying information is incorrect, customers get a new meter or their distributor changes the tariff. However, the retailer stated that it would give customers advance notice of any change, which may be on the bill.

*Notes: Smart meter installations are identified as 'type 4' (smart meter) or 'type 4a' (smart meter no communications); 'type 5' meters are basic (manually read) interval meters, and 'type 6' meters are basic (accumulation) meters. The remaining retailers did not provide any clear information on Energy Made Easy.*

*Source: Energy Made Easy.*

We observed, as in previous years, that some retailers:

- provided no information on Energy Made Easy on their treatment of ADM costs
- had at least one plan that was only available to customers with a smart meter, but no ADM charges were attached to the plan(s)
- had no plans that were available for basic (type 6) accumulation meters
- described the meter type for their plans as 'type 0'
- published separate solar and non-solar plans with different daily supply charges.

The ACCC requires retailers to include recurring metering charges in the unconditional price of plans that the ACCC uses to check compliance of standing offers with the DMO and to calculate the comparison percentage for communicating price information to customers.<sup>112</sup> In our view, retailers' plans on Energy Made Easy should disclose the value of ADM charges to comply with this requirement.

Consistent with our view on disclosure of Energex's metering charges, we consider that all retailers should clearly identify ADM charges on Energy Made Easy, or state that they do not levy these charges. This would improve the clarity of information for customers and assist comparability of plans.

## 4.8 Distribution non-network charges

As in previous years, retailers' plans available on Energy Made Easy in 2022–23 generally included some distribution non-network charges. The AER's retail pricing information guidelines list reconnection and disconnection fees as 'key fees', which must be specified by retailers on Energy Made Easy.<sup>113</sup> While distribution non-network charges are payable by customers, there is no 'typical' liability for these fees, as they are only charged when reconnection and disconnection services are provided. As they are not charged on a regular basis—unlike supply and usage charges—they are not included in our bill calculations. However, we discuss them separately in sections 4.8.1 and 4.8.2 to provide an overview of these charges.

### 4.8.1 Reconnection fees

Table 19 shows the reconnection fees attached to retailers' standing and market offers. As the fees were similar—or even identical—across the tariffs and tariff combinations, and in the four

<sup>112</sup> ACCC, *Guide to the Electricity Retail Code* [version 3], 2021, p 5.

<sup>113</sup> AER, *AER Retail Pricing Information Guidelines* [version 5.0], 2018, pp 10–11, clauses 43–47.

quarters of 2022–23, the table only presents the fees attached to residential flat rate and small business flat rate plans in the June quarter of 2023.

**Table 19 Reconnection fees—residential and small business flat rate plans, June quarter 2023**

Retailer	Reconnection fees	
	Residential flat rate plans (\$)	Small business flat rate plans (\$)
AGL	56.25	56.25
Alinta Energy	0 / 117.59 / 135.70	0 / 117.59 / 135.70
Ampol Energy	56.25	—
Blue NRG	—	19.20 / 549.92
CovaU	18.10	18.10
Dodo Power & Gas	50.15	—
EnergyAustralia	0	0
Mojo Power	108.87	—
Momentum Energy	96.86	96.86
Nectr	56.25	—
Next Business Energy	0	0
Simply Energy	13.27	13.27
Tango Energy	96.86	96.86

Notes: A dash (—) means the retailer did not attach reconnection fees to any of its plans or did not have any residential or small business flat rate plans available on Energy Made Easy in this quarter. Not every retailer attached reconnection fees to its plans in this quarter. Where a retailer had fees attached, it did not necessarily attach those fees to all the plans. Fee amounts with three decimal places have been rounded to two decimal places.

Source: Energy Made Easy.

In the June quarter of 2023, 12 of the 26 retailers attached reconnection fees to some or all of their residential flat rate plans (compared to 19 out of 40 retailers in the June quarter of 2022), and 9 of the 19 retailers attached reconnection fees to some or all of their small business flat rate plans (compared to 15 out of 33 retailers in the June quarter of 2022).<sup>114</sup>

The range of reconnection fees in the June quarter of 2023 (\$0 to \$549.92) was the same as in the June quarter of 2022 (\$0 to \$549.92). In both June quarters, Blue NRG had the highest reconnection fee (\$549.92, including GST), which was attached to each small business flat rate market offer and was described as a reconnection fee (business hours), but the retailer noted that fees may vary. The highest fee for residential customers in the June quarter of 2023 (\$135.70, GST status not indicated) was attached to each of Alinta Energy’s standing and market offers and was described as a fee for out-of-business-hours reconnection.

Table 19 shows that the reconnection fees attached to retailers’ residential flat rate and small business flat rate plans in the June quarter of 2023 were generally identical. However, as we observed in previous years, the information on reconnection fees was often inconsistent or unclear on Energy Made Easy in the June quarter of 2023. For example, some retailers:

- stated that a fee ‘may apply’ or ‘may be charged’ (usually without specifying under which circumstances the fee ‘may apply’ or ‘may be charged’)
- cautioned customers that the fee ‘may vary’
- entered fees as GST-inclusive, while others did not mention the GST status of their fees
- had different fee amounts attached to different plans (e.g. standing offers or market offers)
- advised customers to contact their retailer or refer to its website to confirm the fee

<sup>114</sup> For a more detailed comparison to the reconnection fees attached in the June quarter of 2022, see QCA, [SEQ retail electricity market monitoring 2021–22](#), 2022, pp 27–28. Retailers that listed fees with a value of \$0 are included in our retailer count.

- included a fee but stated the fee amount as zero
- did not include reconnection fees but noted that fees imposed by the distributor would be ‘passed through’
- referred customers to the ‘additional fee information’ on Energy Made Easy for more details, which, in turn, referred customers to the retailer’s web page
- used different descriptions for their fees, and what they applied to.

We consider that these issues could add complexity when customers compare plans.

#### 4.8.2 Disconnection fees

Table 20 shows the disconnection fees attached to retailers' standing and market offers. As the fees were similar—or even identical—across the tariffs and tariff combinations, and in the four quarters of 2022–23, the table only presents the fees attached to residential flat rate and small business flat rate plans in the June quarter of 2023.

**Table 20 Disconnection fees—residential and small business flat rate plans, June quarter 2023**

Retailer	Disconnection fees	
	Residential flat rate plans (\$)	Small business flat rate plans (\$)
1st Energy	13.27	13.27
AGL	13.27	13.27
Alinta Energy	0	0
Amber Electric	46.63	46.63
Ampol Energy	13.27 / 72.95	—
Blue NRG	—	370.30 / 549.92
CovaU	46.63	46.63
Diamond Energy	12.68	12.68
Dodo Power & Gas	19.00	—
EnergyAustralia	13.27	0
Energy Locals	78.77	78.77
GloBird Energy	12.00 / 15.00 / 33.00 / 55.00	—
Kogan Energy	10.00 / 46.63	—
Mojo Power	108.87	—
Momentum Energy	78.77	78.77
Nectr	0 / 13.27	—
Next Business Energy	0	0
Origin Energy	13.27	13.27
Ovo Energy	46.63	—
Powershop	10.00 / 46.63	10.00 / 46.63
Radian Energy	12.45	—
ReAmped Energy	13.27	13.27
Red Energy	0	0
Simply Energy	13.27	13.27
Tango Energy	46.63	46.63

Notes: A dash (—) means the retailer did not attach disconnection fees to any of its plans or did not have any residential or small business flat rate plans available on Energy Made Easy in this quarter. Not every retailer attached disconnection fees to its plans in this quarter. Where a retailer had fees attached, it did not necessarily attach those fees to all the plans. Fee amounts with three decimal places have been rounded to two decimal places.

Source: Energy Made Easy.

In the June quarter of 2023, 24 of the 26 retailers attached disconnection fees to some or all of their residential flat rate plans (compared to 35 out of 40 retailers in the June quarter of 2022),

and 17 of the 19 retailers attached disconnection fees to some or all of their small business flat rate plans (compared to 27 out of 33 retailers in the June quarter of 2022).<sup>115</sup>

The range of disconnection fees in the June quarter of 2023 (\$0 to \$549.92) was the same as in the June quarter of 2022 (\$0 to \$549.92). In both June quarters, Blue NRG had the highest disconnection fee—a ‘move out’ disconnection fee (\$549.92, including GST) that ‘may vary’, which was attached to each of its small business flat rate market offers. The highest disconnection fee for residential customers was attached to Mojo Power’s standing offers (a fee ‘up to’ \$108.87, including GST).

Table 20 shows that the disconnection fees attached to retailers’ residential flat rate and small business flat rate plans in the June quarter of 2023 were generally identical. However, as we observed in previous years, the information on disconnection fees was often inconsistent or unclear on Energy Made Easy in the June quarter of 2023. For example, some retailers:

- stated that a fee ‘may apply’ or ‘may be charged’ (usually without specifying under which circumstances the fee ‘may apply’ or ‘may be charged’) or that a fee ‘generally applies’
- cautioned customers that the fee ‘may vary’
- included fees as GST inclusive, while others did not mention the GST status of their fees
- had different fee amounts attached to different plans (e.g. standing offers or market offers)
- advised customers to contact their retailer or refer to its website to confirm the fee
- only attached such fees to some plans (e.g. only to market offers)
- included a fee but stated the fee amount as zero
- did not include disconnection fees but noted that services performed by the distributor would be ‘passed on at cost’
- referred customers to the ‘additional fee information’ on Energy Made Easy for more details, which, in turn, referred customers to the retailer’s web page
- used different descriptions for their fees, and what they applied to.

We consider that these issues could add complexity when customers compare plans. Furthermore, three different types of disconnection fees have been available on Energy Made Easy since 2019–20—a general fee (DiscoF), a fee for moving out (DiscoFMO) and a fee for non-payment (DiscoFNP). While this has allowed retailers to state the fee information more precisely, it may have added another layer of complexity for customers, who had to consider more fee types. Moreover, retailers did not always include the fee information consistently, or they even coded their disconnection fees to an incorrect fee type.

#### 4.8.3 Other potential distribution non-network charges

As in previous years, some retailers included information with their plans on Energy Made Easy that referred to the potential for distribution non-network charges—other than those listed on Energy Made Easy—to be levied on customers. We consider that retailers should clearly identify on Energy Made Easy where customers can obtain information on distribution non-network charges that apply, or may apply, to their plans.

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<sup>115</sup> For a more detailed comparison to the disconnection fees attached in the June quarter of 2022, see QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, pp 28–30. Retailers that listed fees with a value of \$0 are included in our retailer count.

## 4.9 Observations on fees and charges on Energy Made Easy

In addition to our analysis of the types and levels of fees and charges attached to residential and small business flat rate plans, we identified similar issues with retailers' information on Energy Made Easy in 2022–23 as we did in our previous reports. We consider that these issues may add to the complexity that customers face when selecting the best plan for their circumstances.

### 4.9.1 Further fees that could be charged

The AER's retail pricing information guidelines state that if a retailer applies any further fees to a plan that are not key fees, they must include information on Energy Made Easy with a reference to where a customer can access additional information on these fees. The guidelines provide the examples of special meter read or meter inspection fees and state that the reference must be to a specific URL where details of these fees can be found.<sup>116</sup>

Since retail prices were deregulated in SEQ in 2016, some retailers have been referring to the potential for fees—other than those listed on Energy Made Easy—to be levied on customers.<sup>117</sup> As in previous years, this was also the case in the June quarter of 2023, and we found that retailers used the additional fee information field on Energy Made Easy to:

- advise customers to phone the retailer for further information on fees and/or fees that may apply on a phone number provided
- refer customers to specific pages on their websites for information on additional fees and charges that apply or may apply
- refer customers to the home page of their website, rather than a fee-specific page
- advise customers to contact the retailer or to refer customers to their website, sometimes without including a web page, phone number or any other contact details
- inform customers that the retailer reserves the right to change or impose additional fees or charges.

We consider that all retailers should provide a link on Energy Made Easy to a specific page on their website, where customers can access clear, SEQ-specific information on retail fees.

### 4.9.2 Fees that may apply

As in previous years, a number of retailers listed fees on Energy Made Easy that 'may' apply. We appreciate that there may be circumstances in which the fees may not apply, but we have included them in our analysis, because customers should consider the potential to be charged these fees when comparing plans. We also note that retailers rarely explain on Energy Made Easy or on their websites the circumstances in which fees 'may' apply.

### 4.9.3 Fees that have zero value

Some retailers attached fee types to some or all of their plans with a value of zero, stating that the fee may vary and/or to check their website for additional details. To support the clarity, completeness and comparability of plans on Energy Made Easy, we encourage retailers not to include fee types on their plans with values of zero.

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<sup>116</sup> AER, *AER Retail Pricing Information Guidelines* [version 5.0], 2018, p 10, clause 45.

<sup>117</sup> While the AER's retail pricing information guidelines refer to 'further fees', many retailers call these fees 'additional fees (and charges)' on Energy Made Easy.



#### 4.9.4 GST on fees

The AER's retail pricing information guidelines require fees to be specified inclusive of GST.<sup>118</sup> In our previous reports we noted that the reported GST treatment within some fee types was inconsistent or unclear between retailers for both residential and small business plans. We found it was the same in 2022–23. As in previous years, some retailers:

- stated that particular fees—especially late payment and dishonour payment fees—were not subject to GST, while other retailers applied GST to the same fee type
- indicated that GST applied to some fees but did not identify the GST status of other fees.

We consider that retailers should pay closer attention to the requirement to specify fees inclusive of GST and should clearly indicate the GST status of their fees on Energy Made Easy.

#### 4.9.5 Quality assurance of fee information

Retailers are responsible for the quality of data and information they publish on Energy Made Easy.<sup>119</sup> We consider that a broader range of predetermined input fields on Energy Made Easy, with limited free text options available to retailers to describe their plans, could improve the quality (and hence comparability) of information on Energy Made Easy.

We agree with the AER's position that the AER should not be responsible for the quality of retailers' information on Energy Made Easy. However, our analysis of retail fees across our seven annual reports clearly shows that retailers make mistakes in the information they provide to the website. Further, we think it is highly likely that, with so many retailers in the market, retailers will continue to provide fee information on Energy Made Easy and their own websites on an inconsistent basis, such that customers will not be able to easily compare fees across retailers.

### 4.10 Key considerations for customers

Retail fees have the potential of increasing customers' electricity bills. Customers should consider the following key points in the context of plans that have retail fees attached:

- Retailers can charge customers retail fees in addition to supply and usage charges. This can lead to a higher-than-expected bill—for example, if a bill is not paid on time. Some fees may be added to each single bill, such as paper bill fees.
- Some retailers attach fees to their plans that 'may' apply. Customers are advised to check with the retailer directly as to the circumstances when such fees apply, given that such information is rarely disclosed on Energy Made Easy.
- Customers on a plan with conditional discounts attached should carefully consider the fees attached to the plan. If customers lose their conditional discounts, they may also have to pay additional fees (such as late payment fees), which can substantially increase their bill.
- Retailers are only allowed to charge SEQ standing offer customers three types of fees. Customers cannot be charged fees for paper bills, card payments or late payments on a standing offer.
- Customers on standing offers should check their bills to ensure that they have not been charged prohibited fees and contact their retailer if they believe they were charged such fees. Customers are also encouraged to contact us if they are not satisfied with the response from their retailer about being charged prohibited fees.

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<sup>118</sup> AER, *AER Retail Pricing Information Guidelines* [version 5.0], 2018, p 10, clause 44.

<sup>119</sup> AER, *AER Retail Pricing Information Guidelines* [version 5.0], 2018, p 8, clauses 25–28.

## 5 WEIGHTED BILLS

### Key findings

We compared and assessed the trends in standing offer and market offer bills for residential and small business flat rate customers (in nominal dollars) from 2015–16 to 2022–23, each weighted by retailers' market shares, and found:<sup>120</sup>

- In each quarter from 2015–16 to 2022–23, weighted average standing offer bills were higher than weighted average market offer bills, for both residential and small business customers.
- Weighted average standing offer and market offer bills were on a decreasing trend from 2017–18 to 2021–22. However, this trend reversed and we saw substantial increases in weighted average standing offer and market offer bills for both residential and small business customers in 2022–23. From the June quarter of 2022 to the June quarter of 2023, weighted average bills increased as follows:

	Standing offer	Market offer
Residential customers	+11.1%	+24.1%
Small business customers	+19.7%	+22.5%

- In 2022–23, the weighted average market offer bill increased sharply:
  - For residential customers, it reached \$1,437 in the December and March quarters, just slightly below the peak of \$1,466 in the September quarter of 2017.
  - For small business customer, it reached \$1,754 in the December quarter, which was the highest level over the past eight years.
- Over the eight years from 2015–16 to 2022–23, weighted average bills increased for the typical residential customer and to a larger extent for the typical small business customer, with a higher increase for both customer types on market offers:

	Standing offer	Market offer
Residential customers	+1.4%	+2.1%
Small business customers	+10.1%	+14.6%

### 5.1 QCA methodology

#### Bills based on latest consumption data

As for our previous reports, we calculated an annual bill for each plan available on Energy Made Easy since 2015–16, based on a constant electricity usage level—the median annual consumption of a typical SEQ customer (Table 2). By recalculating all the bills for each quarter with the same consumption level, we can ensure that any changes in bills we observe reflect changes in prices only and are not distorted by changes in consumption over time.<sup>121</sup>

<sup>120</sup> When interpreting weighted average bills, it is important to keep in mind that these bills can be heavily influenced by the plans published by the larger retailers. It is also advisable to carefully consider the data restrictions and the assumptions (as set out in this chapter) required to weight bills by retailer market share when interpreting weighted bills or using them for other purposes.

<sup>121</sup> Since we have recalculated all the bills from the September quarter of 2015 to the June quarter of 2022, the bills in this chapter are different to the bills we presented in our previous market monitoring reports (QCA, *SEQ retail electricity market monitoring: 2017–18* [updated report], 2019, pp 107–118; QCA, *SEQ retail electricity market monitoring: 2018–19*, 2019, pp 72–76; QCA, *SEQ*

## Bills weighted by retailer market share

The direction requires us to weight standing and market offer bills by retailer market share. Consistent with the methodology we applied in previous reports, we used the AER's retail energy market performance data to calculate market shares based on the number of customers on standing or market offers in each quarter. However, in our calculations we only included the standing or market offer customer numbers of those retailers that had standing or market offers available in that quarter, since not every retailer had plans on Energy Made Easy in every quarter.

The AER's retail energy market performance data includes quarterly data on most retailers' total number of residential and small business customers in Queensland, as well as their respective number of customers on market contracts. We calculated the number of customers on standing offers in each quarter as the difference between the total number of customers and the number of customers on market contracts in that quarter.<sup>122</sup>

Data for the June quarter of 2023 was not available when we finalised this report. As a proxy, we calculated the market share based on the AER's customer numbers for the March quarter of 2023 to weight the standing and market offer bills in the June quarter of 2023.

## Data restrictions

The AER's retail energy market performance data does not provide information on the total number of customers by tariff type.<sup>123</sup> The total number of customers includes customers on flat rate, controlled load, time-of-use and other tariffs. In our view, the total number of customers does not provide a sound basis to calculate market shares for controlled load or time-of-use tariff customers, given their relatively lower share among the total number of customers.<sup>124</sup> We therefore present a weighted trend analysis for residential flat rate and small business flat rate tariffs only.

We note that the AER had removed all retail performance data from its website in September 2018 after discovering what it described as 'significant errors' in the data provided by AGL,<sup>125</sup> which is one of the largest retailers in SEQ by market share. The AER noted later that although AGL had resubmitted a complete dataset for 2017–18, AGL had indicated that previous years' data may still be inaccurate. The AER cautioned that '[t]his should be taken into account when drawing trends in jurisdictions where AGL is active'.<sup>126</sup> Readers should bear the AER's advice in mind when interpreting the weighted average bills in this chapter.

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*retail electricity market monitoring 2019–20*, 2020, pp 85–90; QCA, *SEQ retail electricity market monitoring 2020–21*, 2021, pp 85–91; QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, pp 82–89).

<sup>122</sup> The difference between the total number of customers and the number of customers on a market contract includes a very small number of customers on a deemed contract. In the March quarter of 2023, 0.2% of the residential customers and 0.6% of the small business customers in Queensland were on a deemed contract (AER, *Retail energy market performance update for Quarter 3, 2022–23* [schedule 2], 2023, indicators S2.1, S2.2, S2.6, viewed 12 October 2023). Customers can, for example, be on a deemed contract if they move to a new address and do not arrange to be on a specific standing or market offer. In this case, they will initially be on the deemed retail arrangement from the local retailer when they use electricity. The terms and conditions of such a deemed contract are equivalent to those of the retailer's standing offer (AEMC, *2018 Residential Electricity Price Trends Methodology Report* [final report], 2018, p 6). See also the NERL, section 54 and the definition of 'move-in customer' in section 2.

<sup>123</sup> The AER's performance indicator for tariff structures (S2.8) relates only to customers with a smart meter (AER, *AER (Retail Law) Performance Reporting Procedures and Guidelines* [version 3], 2018, p 11).

<sup>124</sup> Unpublished data provided by Energex.

<sup>125</sup> AER, *AER removes retail performance data from its website* [news release], 11 September 2018. In November 2019, the AER commenced proceedings in the Federal Court against four subsidiaries of AGL Energy Limited, alleging they failed to submit timely and accurate retail market performance data (AER, *AGL in court over alleged failure to provide accurate and timely performance data* [news release], 12 November 2019). In November 2020, the Federal Court ordered the subsidiaries to pay combined pecuniary penalties of \$1.3 million for the breaches (AER, *AGL to pay \$1.3 million penalty for failing to provide performance data on time* [news release], 13 November 2020; AER v AGL Sales Pty Limited & Ors [2020] FCA 1623, [5]–[8]).

<sup>126</sup> AER, *Retail energy market performance update for Quarter 1, 2017–18*, AER website, 2018, viewed 12 October 2023.

We also consider that the number of existing customers contracted to a retailer in any given quarter may not be strongly correlated with the number of new customers who take up one of the plans that this particular retailer had available on Energy Made Easy during the same quarter.

### Influence of large retailers

When interpreting the weighted average bills in this chapter, it is important to note that some retailers have relatively high market shares. This applies in particular to the 'tier one' retailers—AGL, EnergyAustralia and Origin Energy—and Alinta Energy, which has been the third-largest retailer in SEQ by residential customer numbers since the June quarter of 2018. The offers of these larger retailers have a strong influence on the weighted average bills. For example, AGL's and Origin Energy's combined market share for residential standing offer customers was 92.6% in the March quarter of 2023.<sup>127</sup> The weighted average standing offer bill in that quarter therefore almost exclusively reflects the standing offers of these two retailers.

### Retail brands

Some authorised retailers sell energy under their own name and also own retail 'brands' that sell energy. The AER does not report customer numbers separately for retail brands that are owned by an authorised retailer. We understand that the customer numbers of such retail brands are included in the customer numbers of the authorised retailer parent company. For the purpose of calculating market shares for each quarter from 2015–16 to 2022–23, we apportioned the reported customer numbers of the authorised retailer parent company in equal parts to the authorised retailer and to its retail brand(s) if both the authorised retailer and its retail brand(s) had plans available in any given quarter. We apportioned customer numbers in this way for the following retailers:

- Amaysim Energy, which owned the Click Energy retail brand until September 2020<sup>128</sup>
- Energy Locals, which was the provider of energy to customers of Amber Electric until December 2020<sup>129</sup>
- Powershop, which is the energy provider of Kogan Energy and also sold energy under the name of DC Power until the March quarter of 2020
- EnergyAustralia, which published offers under its own name and under its 'brand' On by EnergyAustralia from the June quarter of 2021 until the June quarter of 2022.

We acknowledge that the newer retail brands may not yet have as many customers as their authorised retailer parent company. Nevertheless, as there is no reliable information available on the customer numbers of these retail brands, we consider that splitting the reported customer numbers of the authorised retailer equally between the authorised retailer and its retail brand(s) is the most straightforward approach to calculate market shares for the purpose of weighting their standing offer bills and generally available market offer bills. This approach could, in some instances, result in a slight overestimation of the market share of the retail brand(s). Accordingly, the bill of the retail brand(s) would be slightly overrepresented in the weighted average bill, while the bill of the authorised retailer would be underrepresented. However, we do not consider that this significantly impacts on the total weighted average bill.

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<sup>127</sup> Market share based on the total number of standing offer customers of those retailers that had residential flat rate standing offers published on Energy Made Easy in the March quarter of 2023 (AER, [Retail energy market performance update for Quarter 3, 2022–23](#) [schedule 2], 2023, viewed 12 October 2023; QCA analysis).

<sup>128</sup> AGL acquired Click Energy in 2020 and Click Energy customers were transitioned to AGL (AGL, [AGL finalises acquisition of Click Energy](#) [media release], 1 October 2020). Amaysim Energy no longer offers retail electricity plans.

<sup>129</sup> Amber Electric applied for a retailer authorisation in its own right, which the AER approved in December 2020 (AER, [Amber Electric Pty Ltd – authorised electricity retailer](#), AER website, n.d., viewed 12 October 2023).

## Caveats

Due to the limitations described above—including the influence of large retailers and the lack of data both by tariff type and on the uptake of the plans published on Energy Made Easy—as well as the assumptions that are required to weight bills by retailer market share, readers should exercise caution when interpreting the bills in this chapter or using them for other purposes.

## 5.2 Trends in weighted average residential flat rate offer bills

Figure 16 shows the standing offer bills and generally available market offer bills, in nominal dollars, for the typical residential flat rate customer in each quarter from 2015–16 to 2022–23, each weighted by retailer market share. Over this period, the weighted average standing offer bill was always higher than the weighted average market offer bill. The difference (or spread) between the weighted average standing and market offer bill was less than \$100 during 2015–16 and 2016–17, but it grew significantly over time to more than \$200 by the end of 2021–22. In 2022–23, the spread narrowed significantly to around \$60 (September quarter) and narrowed further to almost \$50 (December and March quarters) before widening again to about \$80 (June quarter).

**Figure 16 Weighted bills for a typical residential flat rate customer, 2015–16 to 2022–23**



Note: Annual bill (in nominal dollars) for each quarter based on the median consumption of a typical SEQ residential flat rate customer (Table 2), weighted by retailers' market shares in that quarter. A table with detailed bills, by quarter, is included in appendix C (section C.3).

Sources: Energy Made Easy; AER retail performance data; QCA analysis.

The weighted average standing offer bill for the typical residential flat rate customer decreased (in nominal dollars) by 8.8% from the beginning of 2015–16 to the end of 2021–22 (from \$1,469 to \$1,341), although it trended upwards from 2015–16 to 2017–18. However, in 2022–23, the weighted average standing offer bill increased again by 11.1% (from \$1,341 in the June quarter of 2022 to \$1,490 in the June quarter 2023). The increase in 2022–23 nearly returned the weighted average standing offer bill to a level not seen since the June quarter of the 2019 (\$1,546), just before the DMO was introduced.

The weighted average market offer bill for the typical residential flat rate customer decreased by 17.7% from the beginning of 2015–16 to the end of 2021–22 (from \$1,382 to \$1,136). It increased in 2015–16 and 2016–17, similar to the weighted average standing offer bill. Following Alinta Energy's market entry in August 2017, the weighted average market offer bill started to decrease and trended downwards until 2021–22. In 2022–23, it increased by 24.1% (from \$1,136 to \$1,410 between the June quarters of 2022 and 2023). The weighted average market offer bill peak in the December and March quarters of 2022–23 (\$1,437) was only slightly below the highest level

observed over the past eight years, which was in the September quarter of 2017 (\$1,466)—the quarter in which Alina Energy entered the market.

### 5.3 Trends in weighted average small business flat rate offer bills

Figure 17 shows the standing offer bills and generally available market offer bills, in nominal dollars, for the typical small business flat rate customer in each quarter from 2015–16 to 2022–23, each weighted by retailer market share. Over this period, the weighted average standing offer bill was always higher than the weighted average market offer bill. The difference (or spread) between these two weighted average bills increased substantially between 2016–17 and 2018–19, but with substantial decreases in the weighted average standing offer bill in the September quarters of 2019, 2020 and 2021, the spread narrowed. In the June quarter of 2022, it narrowed to below \$100 for the first time since the June quarter of 2016. The spread narrowed to a historic low of \$35 in the September quarter of 2022, but slightly widened over the remainder of 2022–23 to around \$55.

**Figure 17 Weighted bills for a typical small business flat rate customer, 2015–16 to 2022–23**



Note: Annual bill (in nominal dollars) for each quarter based on the median consumption of a typical SEQ small business flat rate customer (Table 2), weighted by retailers' market shares in that quarter. A table with detailed bills, by quarter, is included in appendix C (section C.3).

Sources: Energy Made Easy; AER retail performance data; QCA analysis.

The weighted average standing offer bill for the typical small business flat rate customer decreased (in nominal dollars) by 8.0% from the beginning of 2015–16 to the end of 2021–22 (from \$1,638 to \$1,508), although it trended upwards from 2015–16 to 2017–18. However, in 2022–23, it increased by almost 20% (from \$1,508 in the June quarter of 2022 to \$1,804 in the June quarter 2023). The increase in 2022–23 saw the weighted average standing offer bill peak in the December and March quarters (\$1,809) at a level not seen since the June quarter of the 2019 (\$1,835), just before the DMO was introduced.

The weighted average market offer bill for the typical small business flat rate customer decreased by 6.5% from the beginning of 2015–16 to the end of 2021–22 (from \$1,526 to \$1,428), although it increased from 2015–16 onwards, similar to the weighted average standing offer bill. However, it was on a downward trend following Alinta Energy's market entry in August 2017 until the March quarter of 2022. Prices increased sharply in 2022–23, with the weighted average market offer bill increasing by 22.5% (from \$1,428 to \$1,749 between the June quarters of 2022 and 2023). The peak for the weighted average market offer bill in the December quarter of 2022 (\$1,754) was the highest level experienced in the period since 2015–16. The previous peak had occurred in the September quarter of 2017 (\$1,718)—the quarter in which Alina Energy entered the market.

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## 6 CUSTOMERS RECEIVING ASSISTANCE WITH ELECTRICITY BILLS

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### Key findings

Customers in SEQ receive assistance with their electricity bills in the form of retailer hardship programs, the Queensland Government's electricity rebate and/or the Home Energy Emergency Assistance Scheme. We have analysed, among other things, how many customers that received assistance were on standing offers and how many were on market offers. We have also investigated the prices they paid. Based on the three common residential tariffs/tariff combinations we considered, we found that:

- In the December quarter of 2022, around 9.1%, or 31,358, of the 346,348 SEQ customers receiving assistance with their electricity bills were on a standing offer. The vast majority of these customers only received the Queensland Government's electricity rebate.
- The number of customers receiving assistance with their electricity bills who were on a standing offer decreased from 35,548 to 31,358 between the December quarter of 2021 and the December quarter of 2022.
- For the residential tariffs/tariff combinations and assistance categories covered, the prices paid by assisted customers on standing offers compared to the prices of standing offers available in the December quarter of 2022 were:
  - higher than the average for customers on a flat rate or a flat rate with controlled load economy tariff
  - lower than the average for customers on a flat rate with controlled load super economy tariff.
- Over the period 2017–18 to 2021–22, standing offer prices and market offer prices for assisted customers decreased across most tariffs/tariff combinations and assistance categories. In 2022–23, standing offer prices and market offer prices for assisted customers increased across all tariffs/tariff combinations and assistance categories.
- Some assisted customers on market offers were still paying higher prices than the price of market offers that their retailer had available in the December quarter of 2022.

### 6.1 Assistance to customers

Our monitoring report provides information on residential customers that received assistance with their electricity bills in the form of retailer hardship programs, the Queensland Government's electricity rebate and/or the Home Energy Emergency Assistance Scheme. The Queensland Government cost of living rebate is not included in our analysis.

To refer to these customers, we sometimes use the terms 'customers receiving assistance with electricity bills' or 'assisted customers'.

### 6.2 QCA methodology

In March 2023, we issued an information notice to all retailers with SEQ residential customers in 2022–23 to collect information on customers participating in a hardship program, receiving the electricity rebate and/or support through the Home Energy Emergency Assistance Scheme (HEEAS). The notices were issued under section 89C of the Electricity Act.

### 6.2.1 Customers in hardship programs

To avoid inconsistencies between the data reported by the QCA and the AER, the data requirements about customers participating in a hardship program were based on hardship program data published by the AER—specifically, the AER's data for the December quarter of 2022.

We aligned our definition of hardship program customers with the AER's definition. Thereby, our measures of the number of customers in a hardship program, and of the number of hardship program customers receiving either the electricity rebate or HEEAS support or both, are a subset of retailers' hardship program data published by the AER.

We required retailers to disaggregate the number and contract type of hardship customers to show customers in a hardship program only, and customers in a hardship program who also received the electricity rebate and/or HEEAS support during the December quarter of 2022. Retailers were also required to report the prices paid by customers in each of these hardship subcategories.

As in previous years, we only required retailers to provide price information for residential customers on a flat rate tariff, flat rate with controlled load super economy tariff, and flat rate with controlled load economy tariff.

We found that some assisted customers that were previously on a flat rate tariff/tariff combination are now on a retail demand tariff. These assisted customers are predominantly customers that are on market offers and are receiving the electricity rebate only. We will explore collecting this data for future reports, while balancing the regulatory impact on retailers. Section 9.1 provides an analysis of the emerging issue of demand tariffs.

### 6.2.2 Customers receiving the electricity rebate and/or HEEAS support

We report on customers who received the electricity rebate and/or HEEAS support (but who were not in a hardship program) during the December quarter of 2022. Retailers were required to report on the number of customers, the type of contract the customers were on and the prices they paid.

### 6.2.3 Data quality and availability

Almost all retailers responded to the information notice—most of them by end July 2023.<sup>130</sup> We contacted several retailers to request clarifications of aspects of their submission. After that, some retailers submitted revised responses.

As in previous years, we identified a number of data entry issues in the template retailers returned to us (e.g. supply and usage charges were entered in the wrong fields or were missing, or were duplicated into controlled load charge fields; sometimes they related to the incorrect time period). We addressed these issues before we calculated all the bills and investigated abnormalities that we found during our analysis.

It is important to note that our assessment in this chapter relies on the data retailers submitted, whereas the analysis in chapter 2 is based on the plans retailers had published on Energy Made Easy during 2022–23. As such, there will be differences between the bills in the two chapters.

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<sup>130</sup> Three retailers—Apex Energy, Mojo Power and QEnergy—did not respond to the information notice. These retailers had either entered administration or had been placed into the retailer of last resort process by the AER.



## 6.3 AER performance reporting

The AER's performance data shows that as at 31 December 2022, there were about 1.5 million residential customers in SEQ.<sup>131</sup> Table 21 shows that there were 13,180 customers in a hardship program at the end of 2022, accounting for 0.9% of residential customers in SEQ. This is an increase of 1,947 hardship program customers from the 11,233 customers at the end of 2021,<sup>132</sup> which was 0.8% of residential customers in SEQ.

**Table 21 AER hardship customer data for SEQ, December quarter 2022**

Retailer	Customers on a hardship program			
	Standing offer <sup>a</sup> customers	Market offer customers	Total	Percentage (of each retailer's customers)
1st Energy	0	57	57	2.1%
AGL	41	1,859	1,900	0.5%
Alinta Energy	1	1,632	1,633	0.8%
Altogether Group	0	27	27	0.2%
Amber Electric	0	2	2	0.2%
Apex Energy	0	2	2	0.2%
CovaU	0	11	11	2.8%
Diamond Energy	1	9	10	0.2%
Discover Energy	0	1	1	0.5%
Dodo Power & Gas	0	236	236	2.4%
Energy Locals	0	23	23	0.6%
EnergyAustralia	12	1,287	1,299	1.3%
Future X Power	0	6	6	7.9%
GEE Energy	2	0	2	1.4%
GloBird Energy	0	2	2	0.1%
Glow Power	0	1	1	11.1%
Locality Planning Energy	0	30	30	0.1%
Metered Energy	27	0	27	0.2%
Mojo Power	3	46	49	2.9%
Momentum Energy	0	8	8	0.4%
Nectr Energy	0	293	293	1.6%
OC Energy	0	0	0	0.0%
Origin Energy	142	6,649	6,791	1.1%
Ovo Energy	0	22	22	0.5%
Powershop	2	39	41	0.4%
QEnergy	7	87	94	6.7%
ReAmped Energy	0	28	28	2.7%
Red Energy	0	221	221	0.4%
Savant Energy	0	1	1	0.2%
Simply Energy	5	278	283	2.7%
Sumo Power	0	57	57	0.6%
Tango Energy	0	13	13	0.7%
The Embedded Networks Company	0	9	9	7.7%
Winenergy	0	1	1	0.1%

<sup>131</sup> AER, *Retail energy market performance update for Quarter 2, 2022–23* [schedule 2], 2023, viewed 15 March 2023; QCA analysis.

<sup>132</sup> Last year we reported 11,229 customers. The AER data now shows additional customers for Amber Electric (4) and Glow Power (2), and fewer customers for Energy Services Management (2), resulting in 4 additional customers now being reported.

<b>SEQ total</b>	<b>243</b>	<b>12,937</b>	<b>13,180</b>	<b>0.9%</b>
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a The AER refers to these as standard customers.

Note: We have excluded retailers that had zero hardship customers published by the AER (Ampol Energy, Electricity in a Box, Humenergy, LocalVolts, Next Business Energy, PowerHub, Radian Energy, Real Utilities, Smart Energy, Telstra Energy).

Sources: AER, [Retail energy market performance update for Quarter 2, 2022–23](#) [schedule 2 and 4], 2023, viewed 15 March 2023; QCA analysis.

We note that some retailers made retrospective changes to customers' status and/or other adjustments to their hardship customer data following the publication of the AER's performance data for the December quarter of 2022. For this reason, some of the data in the following tables do not exactly match the data in Table 21.

## 6.4 Number of assisted customers on standing offers and market offers

### 6.4.1 Number of assisted customers by assistance category

Table 22 shows the total number of SEQ customers receiving assistance with electricity bills on standing offers and market offers, and the share of customers on market offers, for each category of assistance in the December quarter of 2022.

**Table 22 SEQ customers receiving assistance with electricity bills by contract type and assistance category, December quarter 2022**

Category of customers	Number of customers on standing offers	Number of customers on market offers	Percentage of customers on market offers
Customers in a hardship program only	66	5,044	98.7%
Customers receiving the electricity rebate only	31,189	302,365	90.6%
Customers receiving HEEAS support only	12	151	92.6%
Customers in a hardship program and receiving the electricity rebate	52	6,712	99.2%
Customers in a hardship program and receiving HEEAS support	12	85	87.6%
Customers receiving the electricity rebate and HEEAS support	16	422	96.3%
Customers in a hardship program, and receiving the electricity rebate and HEEAS support	11	211	95.0%
<b>Total</b>	<b>31,358</b>	<b>314,990</b>	<b>90.9%</b>

Source: Retailers' responses to the QCA's information notice (unpublished); QCA analysis.

In the December quarter of 2022, 89.5% of all residential customers in SEQ were on a market offer.<sup>133</sup> At the same time, a slightly higher share of SEQ customers receiving assistance with electricity bills (90.9%) were on a market offer. While most assistance categories had a higher share of customers on market offers, it varied by assistance category:

- The highest share of customers on market offers was among customers who were in a hardship program and were receiving the electricity rebate (99.2%).
- The lowest share of assisted customers on market offers was among customers in a hardship program and receiving HEEAS support (87.6%).

Customers who received the electricity rebate only made up most assisted customers and the vast majority of assisted customers on standing offers (31,189, or about 99.5% of the total number of assisted standing offer customers in the December quarter of 2022).

<sup>133</sup> AER, [Retail energy market performance update for Quarter 2, 2022–23](#) [schedule 2], 2023, viewed 15 March 2023; QCA analysis.

## 6.4.2 Number of assisted customers by retailer

Table 23 shows the number of each retailer's SEQ customers receiving assistance with electricity bills who were on standing offers and market offers, as well as the share of customers who were on market offers, in the December quarter of 2022.

**Table 23 SEQ customers receiving assistance with electricity bills by contract type and by retailer, December quarter 2022**

Retailer	Number of customers on standing offers	Number of customers on market offers	Percentage of customers on market offers
1st Energy	0	894	100.0%
AGL	9,003	66,503	88.1%
Alinta Energy	0	34,679	100.0%
Altogether Group	0	2,539	100.0%
Amber Electric	0	111	100.0%
CovaU	0	214	100.0%
Diamond Energy	55	974	94.7%
Discover Energy	1	8	88.9%
Dodo Power & Gas	51	2,155	97.7%
Energy Locals	0	30	100.0%
EnergyAustralia	291	24,062	98.8%
Future X Power	0	6	100.0%
GEE Energy	0	25	100.0%
GloBird Energy	0	119	100.0%
Glow Power	0	7	100.0%
Humenergy	0	50	100.0%
Locality Planning Energy	0	41	100.0%
Metered Energy	2,837	0	0.0%
Momentum Energy	0	10	100.0%
Nectr Energy	0	4,157	100.0%
Origin Energy	19,007	160,646	89.4%
Ovo Energy	0	497	100.0%
PowerHub	0	65	100.0%
Powershop	67	1,082	94.2%
ReAmped Energy	0	187	100.0%
Red Energy	18	10,357	99.8%
Savant Energy	2	114	98.3%
Simply Energy	5	2,942	99.8%
Smart Energy	19	2	9.5%
Sumo Power	2	2,386	99.9%
Tango Energy	0	29	100.0%
The Embedded Networks Company	0	40	100.0%
Winenergy	0	59	100.0%
<b>Total</b>	<b>31,358</b>	<b>314,990</b>	<b>90.9%</b>

Notes: Of the retailers with residential customers in the SEQ market, Ampol Energy, Electricity in a Box, LocalVolts, Next Business Energy, OC Energy, Radian Energy, Real Utilities and Telstra Energy reported having zero customers receiving the relevant categories of assistance with electricity bills. These retailers are not included in the table.

Source: Retailers' responses to the QCA's information notice (unpublished).

Table 23 shows that 33 retailers indicated they had customers who received at least one category of assistance with electricity bills in the December quarter of 2022. Of these retailers, 20 reported that they only had assisted customers on market offers, and 13 retailers indicated at least one assisted customer on a standing offer.

Of the 13 retailers that had at least one assisted customer on a standing offer, 8 reported that over 90% of their assisted customers were on market offers, and another 3 retailers reported that between 80% and 90% of their assisted customers were on market offers. Lower shares of assisted customers on market offers were reported by Metered Energy (none of its 2,837 assisted customers) and Smart Energy (9.5%, or 2 of its 21 assisted customers).

#### 6.4.3 Change in the number of assisted standing offer customers by retailer

Table 24 shows the change in each retailer's number of assisted customers on standing offers from the December quarter of 2021 to the December quarter of 2022.

**Table 24 SEQ standing offer customers receiving assistance with electricity bills by retailer, change from December quarter 2021 to December quarter 2022**

Retailer	December quarter 2021	December quarter 2022	Change	
			(absolute)	(%)
Origin Energy	21,264	19,007	-2,257	-10.6%
AGL	10,870	9,003	-1,867	-17.2%
Powerdirect	58	0	-58	-100.0%
Humenergy	52	0	-52	-100.0%
Winenergy	39	0	-39	-100.0%
QEnergy	21	0	-21	-100.0%
Diamond Energy	65	55	-10	-15.4%
Powershop	75	67	-8	-10.7%
Red Energy	24	18	-6	-25.0%
Mojo Power	1	0	-1	-100.0%
Simply Energy	5	5	0	0.0%
Discover Energy	0	1	1	—
Savant Energy	0	2	2	—
Sumo Power	0	2	2	—
Metered Energy	2,833	2,837	4	0.1%
Smart Energy	0	19	19	—
EnergyAustralia	241	291	50	20.7%
Dodo Power & Gas	0	51	51	—
<b>Total</b>	<b>35,548</b>	<b>31,358</b>	<b>-4,190</b>	<b>-11.8%</b>

*Notes: Retailers that did not report any assisted customers on standing offers for both the December quarter 2021 and the December quarter 2022 are not included in this table. Retailers are ordered by the absolute change between the December quarter of 2021 and the December quarter of 2022.*

*Source: Retailers' responses to the QCA's information notice (unpublished).*

From the December quarter of 2021 to the December quarter of 2022, the number of assisted customers on standing offers decreased by 4,190 (-11.8%). The change in the number of assisted customers on standing offers varied by retailer. During this time, the number of assisted customers on standing offers:

- decreased for 10 retailers—for some substantially—with a combined decline in standing offer customers at Origin Energy and AGL of 4,124 customers
- increased for 7 retailers, with the largest increases reported by Dodo Power & Gas (51 more customers; up from 0 standing offer customers) and Energy Australia (50 more customers; up 20.71% from 241 to 291 standing offer customers).

## 6.5 Standing and market offer prices paid by assisted customers

In chapter 2 and appendix A, we compare bills based on retailers' standing and market offers that were generally available to SEQ customers in 2022–23. In this section, we present average bills for assisted customers in 2022–23, based on data provided by retailers in response to our information notice. To be able to compare the prices of the offers that assisted customers were on with the prices of offers that were generally available on Energy Made Easy, we calculated bills for each offer with the usage level of the typical SEQ customer (Table 2).<sup>134</sup>

Electricity consumption of assisted customers can vary significantly. The ACCC found that hardship and payment plan customers used significantly more electricity than general customers, and concession customers have the lowest usage.<sup>135</sup> We recognise that using the median usage of the typical SEQ customer may overestimate bills for the lower usage electricity rebate customers and underestimate bills for the other categories of assistance. Given the variability of electricity usage of assisted customers and across the categories of assisted customers, we will continue to use the usage level of the typical SEQ customer.

The actual prices paid by customers may vary significantly depending on whether they realise the conditional discounts attached to their offers. Offers with only guaranteed discounts (or no discounts) attached may result in lower bills than offers that have conditional discounts (and possibly also guaranteed discounts) attached. This may be because guaranteed discounts are higher or because offers with no discounts attached had lower prices. In this section, we present market offer prices that include the guaranteed and conditional discounts where they are included in a market offer plan.

The bill calculations for rebate customers do not include the value of the electricity rebate (\$372.20 in 2022–23) to allow comparisons with the actual underlying prices being paid.<sup>136</sup>

### 6.5.1 Bills by customer assistance category

Table 25 summarises the average standing offer and market offer bills for the three residential tariffs/tariff combinations we cover in our report, for each of the seven categories of assisted customer in the December quarter of 2022. Appendix D includes the distribution of bills for customers in these assistance categories.

**Table 25 Average annual bills by tariff/tariff combination and assistance category, December quarter 2022**

Tariff / tariff combination, by customer assistance category	Standing offer (\$)	Market offer (\$)
<b>Hardship only</b>		
Flat rate	1,504	1,358
Flat rate with controlled load super economy	1,741 <sup>a</sup>	1,669
Flat rate with controlled load economy	1,811	1,685
<b>Electricity rebate only</b>		
Flat rate	1,499	1,406
Flat rate with controlled load super economy	1,750	1,664
Flat rate with controlled load economy	1,766	1,674

<sup>134</sup> An individual customer's usage during 2022–23 may have differed from the typical usage level.

<sup>135</sup> ACCC, *Inquiry into the National Electricity Market*, June 2023, p 4; ACCC, *Inquiry into the National Electricity Market*, May 2022, pp 9, 40.

<sup>136</sup> Queensland Government, *Electricity and gas rebates*, Queensland Government website, 2022, viewed 17 February 2023.

Tariff / tariff combination, by customer assistance category	Standing offer (\$)	Market offer (\$)
<b>HEEAS only</b>		
Flat rate	1,527 <sup>a</sup>	1,523
Flat rate with controlled load super economy	n/a	1,616
Flat rate with controlled load economy	n/a	1,967
<b>Hardship and rebate</b>		
Flat rate	1,494	1,317
Flat rate with controlled load super economy	1,742 <sup>a</sup>	1,596
Flat rate with controlled load economy	1,786	1,597
<b>Hardship and HEEAS support</b>		
Flat rate	1,527 <sup>a</sup>	1,517
Flat rate with controlled load super economy	n/a	1,784 <sup>a</sup>
Flat rate with controlled load economy	n/a	1,776
<b>Electricity rebate and HEEAS support</b>		
Flat rate	1,559 <sup>a</sup>	1,417
Flat rate with controlled load super economy	n/a	1,643
Flat rate with controlled load economy	1,947 <sup>a</sup>	1,706
<b>Hardship, electricity rebate and HEEAS support</b>		
Flat rate	1,532 <sup>a</sup>	1,385
Flat rate with controlled load super economy	n/a	1,657
Flat rate with controlled load economy	n/a	1,711

<sup>a</sup> Average annual bill calculation based on a small sample size (< 20).

Note: n/a means that no retailer reported having an assistance customer in this category.

Sources: Retailers' responses to the QCA's information notice (unpublished); QCA analysis.

For reference, Table 26 shows the average standing and market offer bills based on offers available to residential customers on Energy Made Easy in the December quarter of 2022. These bills indicate what the typical SEQ customer would have paid if they had taken up the offers that were available during the quarter.

**Table 26 Average bills for a typical residential customer in SEQ, December quarter 2022**

Tariff / tariff combination	Standing offer (\$)	Average market offer (\$)	Lowest market offer (\$)	Highest market offer (\$)
Flat rate	1,479	1,603	1,532	1,679
Flat rate with controlled load super economy	1,759	1,933	1,846	2,021
Flat rate with controlled load economy	1,749	1,919	1,834	2,004

Note: Simple average of the bill for each retailer based on offers published on Energy Made Easy in the December quarter of 2022. For more information, see appendix A.

Sources: Energy Made Easy; QCA analysis.

When we compare the average bills of customers receiving assistance with their electricity bills for each tariff and tariff combination and each customer category (Table 25) with the average bills based on the plans that were available on Energy Made Easy in the December quarter of 2022 (Table 26), we make the following observations:

- The average standing offer bills of assisted customers were:
  - higher than the average standing offer bills based on plans available in the December quarter for flat rate customers (range: +\$15 to +\$80)
  - lower than the average standing offer bills based on plans available in the December quarter for flat rate with controlled load super economy customers (range: -\$9 to -\$18)<sup>137</sup>
  - higher than the average standing offer bills based on plans available in the December quarter for flat rate with controlled load economy customers (range: +\$17 to +\$198).<sup>138</sup>
- The average market offer bills of assisted customers were:
  - lower than the average lowest market offer bills based on plans available in the December quarter of 2022 for all assistance categories on flat rate and flat rate with controlled load super economy (between -\$9 and -\$250)
  - higher than the average lowest market offer bills based on plans available in the December quarter of 2022 for HEEAS customers on flat rate with controlled load economy (+\$133)
  - lower than the average lowest market offer bills based on plans available in the December quarter of 2022 for all other assistance categories on a flat rate with controlled load economy (between -\$58 and -\$237).

If the average bills of assisted customers were lower, the typical assisted customers were on a better plan than the plans available in the December quarter of 2022. By contrast, if the average bills of assisted customers were higher, the typical assisted customers could have saved money by switching to one of the cheaper plans available in the December quarter of 2022.

### 6.5.2 Bills by retailer

Figure 18 shows, by retailer, average standing and market offer bills for customers who received assistance with their electricity bills in the December quarter of 2022 across all categories of assistance, based on the plans they were on and the consumption of a typical SEQ customer (Table 2). We present only bills for assisted residential flat rate customers in this section. The bills by retailer for assisted customers on residential flat rate with controlled load super economy and residential flat rate with controlled load economy are included in appendix D.

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<sup>137</sup> There were no assisted customers in the following flat rate with controlled load super economy categories: HEEAS customers only; hardship and HEEAS support customers; electricity rebate and HEEAS support customers; and hardship, electricity rebate and HEEAS support customers.

<sup>138</sup> There were no assisted customers in the following flat rate with controlled load economy categories: HEEAS customers only; hardship and HEEAS support customers; and hardship, electricity rebate and HEEAS support customers.

**Figure 18 Average annual bills for assisted customers—residential flat rate by retailer, December 2022**



Note: Retailers that did not report any assisted customers are not included in this graph.  
 Sources: Retailers' responses to the QCA's information notice (unpublished); QCA analysis.

We make the following observations when comparing bills for assisted customers on a residential flat rate tariff with the corresponding bills based on plans available in the December quarter of 2022:

- Of the 12 retailers with assisted customers on a standing offer, 9 retailers' bills resulted in a higher bill than the average standing offer bill (\$1,479) for a typical SEQ customer, with all bills ranging between \$1,361 and \$2,635.
- Compared to the average lowest market offer bills (\$1,532), 18 retailers' bills for assisted customers on market offers were lower, while 14 retailers' bills were higher (with all 32 retailers' bills ranging between \$1,103 and \$3,784).<sup>139</sup>

Figure 19 compares the assisted customer average market offer bills, by retailer, to the market offer(s) that the respective retailer had available in the December quarter of 2022, based on the usage level of the typical SEQ customer. Figure 19 shows that some assisted customers on market offers were still paying higher prices than the price on market offers that their retailer had available in the December quarter of 2022.

<sup>139</sup> A table with each retailer's average bills is provided in appendix D, Table D1.



**Figure 19 Average bills paid by assisted customers compared to available market offers, by retailer, residential flat rate offers only, December 2022**



*Note: The graph does not include retailers that either did not report any assisted customers, or reported assisted customers but did not have market offers available on Energy Made Easy during the December quarter of 2022. Sources: Retailers' responses to the QCA's information notice (unpublished); Energy Made Easy; QCA analysis.*

### 6.5.3 Trends in standing and market offer prices paid

Our trend analysis is based on the plans that assisted customers were contracted to each year. We calculated annual bills based on these plans, using the consumption of the typical SEQ customer (Table 2) to facilitate a direct comparison to the bills in chapter 2 and appendix A. We also recalculated bill information from our previous five reports, based on the median annual consumption in Table 2. By recalculating all the bills with the same consumption level, we can ensure that any changes in bills we observe reflect changes in prices only and are not distorted by changes in consumption over time.

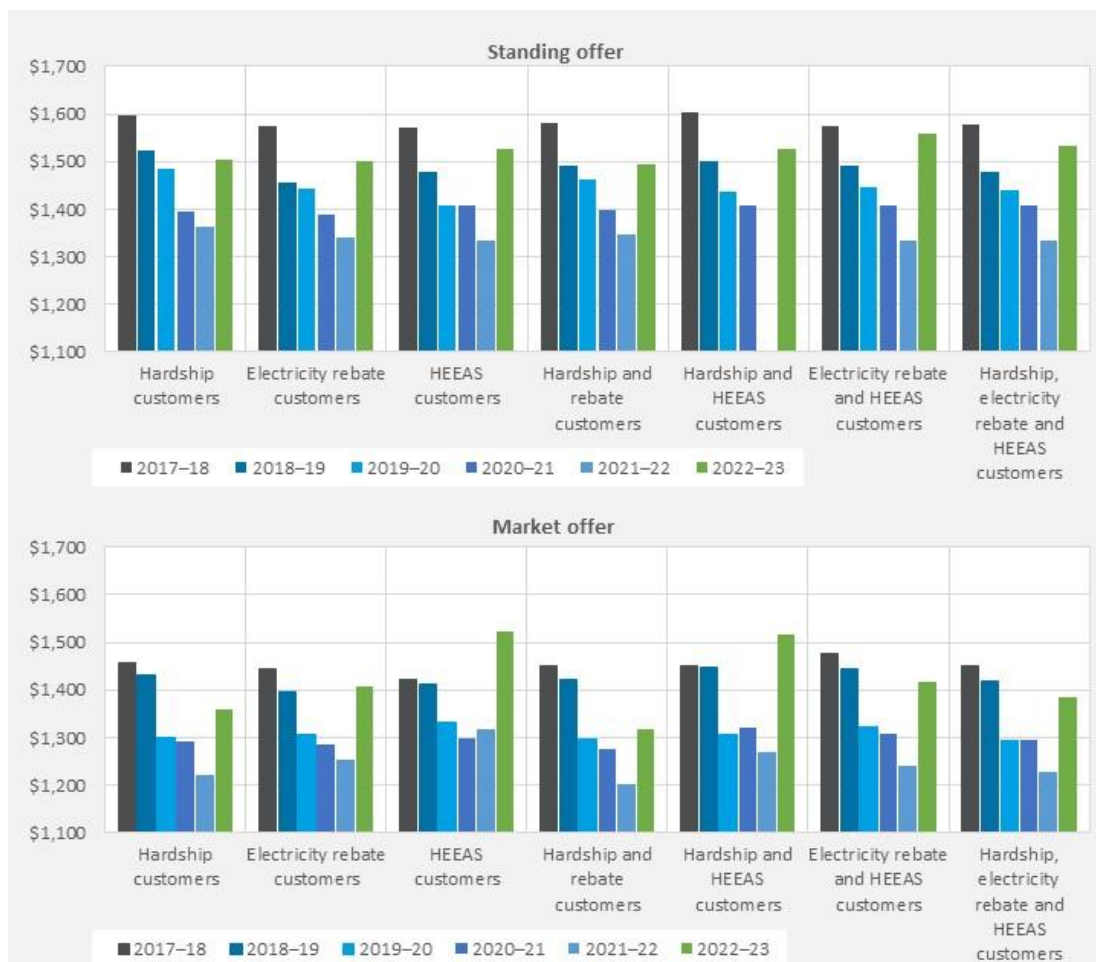
It is important to keep in mind that the number of customers in some of the customer categories is relatively low, which means that a few higher or lower offers can have a significant impact on the average bills.

Figure 20 shows average standing and market offer bills for assisted customers on residential flat rate plans between 2017–18 and 2022–23. The graph illustrates how prices paid changed over time for each category of customers receiving assistance. The trends in the average standing and market offer bills for assisted customers on residential flat rate with controlled load super economy and residential flat rate with controlled load economy plans are included in appendix D.

For assisted customers on residential flat rate offers, the average standing offer prices paid decreased from 2017–18 to 2021–22 for each category of assistance. The largest decreases in the average standing offer prices paid occurred in 2018–19, before the DMO was introduced. In 2022–23, the average prices paid by standing offer customers increased for all categories of assistance. For six out of the seven assistance categories, the average prices paid in 2022–23 were the second-highest in the six years of reporting.

The prices paid by assisted customers on residential flat rate market offers decreased from 2017–18 to 2021–22 for each category of assistance. In 2022–23, the average prices paid by market offer customers increased for all categories of assistance. The average price paid in 2022–23 for HEAS customers and hardship and HEAS customers were the highest average prices paid out of the six years of reporting.

**Figure 20 Average annual bills for assisted customers—residential flat rate, 2017–18 to 2022–23**



Note: For 2019–20 to 2022–23, we included bills from the respective December quarter. No retailer reported having hardship and HEAS customers on a standing offer for the residential flat rate tariff in 2021–22. Sources: Retailers' responses to the QCA's information notice (unpublished); QCA analysis.

### 6.6 Key considerations for customers experiencing hardship

Customers in SEQ that receive assistance with bills in the form of retailer hardship programs, the Queensland Government's electricity rebate and/or the Home Energy Emergency Assistance Scheme, may benefit from remaining active and engaged in the retail electricity market. We note that some assisted customers on market offers were paying higher prices than the price on market offers available in 2022–23.

Customers should consider the following key points in the context of their plans and engagement with retailers:

- While assisted customers may find it difficult to navigate the market, including engaging with retailers and comparing plans, there are financial benefits from getting the best plan for their circumstances.

- While over 90% of assisted customers were on market offers, it may be possible for these customers to pay lower prices than their current market offer if they actively engage with the market or directly with their retailer to get the best deal available for their circumstances.
- Assisted customers should consider if they are benefiting from conditional discounts attached to their plan. A plan without discounts attached may result in a lower bill, especially if customers cannot always meet the discount conditions.

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## 7 NEW RETAIL TARIFFS AND PLANS

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### Key findings

Based on our analysis of retail tariff structures and electricity plans, we found the following:

- Some retail tariff structures, plans and offerings were new or became more common in the SEQ retail electricity market in 2022–23, including:
  - plans that offered solar panels, a battery storage unit and a subscription-based energy plan together as an end-to-end solution
  - plans that gave customers access to a peer-to-peer electricity marketplace to sell their exported energy, where the buyer and seller would set their own price and volume, and the retailer would transact it
  - plans that involved a virtual power plant—a network of connected solar batteries that can be coordinated and provide energy to the grid during times of peak demand
  - plans that were offered in collaboration with partner organisations that supported the transition to a carbon-neutral economy
  - plans that included a monthly donation to a not-for-profit organisation
  - plans that offered rewards to customers who reduced their usage during peak events that resulted in high demand on the grid
  - retailers that partnered with service providers that help customers to connect their utilities when they move house.
- Potential impediments to the development and adoption of new retail tariffs and plans were still present and included the availability of a smart meter, higher wholesale energy costs, a lack of interoperability of devices and technologies, and the challenge for customers to fully understand and compare such plans.
- Not all retailers had retail plans available in 2022–23 that reflected, at least to some degree, the underlying structure of the new cost-reflective Energex network tariffs.

### 7.1 QCA methodology

As for our previous annual market monitoring reports, we collected and analysed retail tariff structure and electricity plan information from Energy Made Easy and other sources in each quarter of 2022–23 to report on the emergence of new retail tariffs and plans.

In addition, we again invited retailers to provide information on any new retail tariffs and plans in their responses to the information notice we issued to them in March 2023. The 'new retail tariffs and plans' section of the information notice was optional, as in previous years.

### 7.2 New retail tariff structures and plans in 2022–23

Some retailers indicated in their response to the information notice that they did not introduce any new retail tariffs or plans during this financial year, but a few indicated that they did. We also identified some retail tariff structures and plans on Energy Made Easy that were new or became more prominent in 2022–23.

### 7.2.1 Virtual power plant

Last year, we reported on some of Simply Energy’s plans, whose names suggested that they involved a virtual power plant (VPP).<sup>140</sup> A VPP is a network of connected solar batteries that can be coordinated to provide energy to the grid during times of peak demand. During 2022–23, we observed more retailers that had VPP plans published on Energy Made Easy, including Arcstream, Discover Energy, Nectr, Origin Energy and Simply Energy.<sup>141</sup>

### 7.2.2 Plans combining solar panels, battery storage and an energy subscription

Although solar and battery plans were available in the past, we observed new retailers entering the SEQ retail electricity market specialising in such plans—for example, solar panel manufacturer Qcells’ energy retail brand Arcstream.<sup>142</sup> Its plans required customers to have over 5 kW solar PV, a 5 kW inverter and a Qcells Q.HOME battery. Arcstream’s solar power residential packages covered everything—from panel installations to an integrated green energy plan—to provide a simple way for households to integrate the various components in a single product.<sup>143</sup>

Arcstream customers were provided with Qcells solar panels, a battery storage unit and a subscription-based energy plan. For this, Arcstream partnered with Electricity in a Box to supply power from the grid as an authorised electricity retailer on its behalf. In addition, customers would gain access to its VPP.<sup>144</sup> By joining its ‘community of batteries’ and being ready at any time to provide services to the grid (when additional supply is required), customers would help provide grid stability and earn money, as Arcstream guaranteed all VPP members \$30 per month in revenue.<sup>145</sup>

### 7.2.3 Local electricity marketplace

Localvolts, describing itself as a new type of energy retailer, provided a peer-to-peer electricity marketplace for residential and business customers to sell their exported energy to other residential and business customers. The buyer and seller would set their own price and volume, with Localvolts transacting it at a 5-minute interval. If no trades were matched for the 5-minute interval for the volume consumed or exported, the spot price was used. Localvolts charged residential customers \$1 per day, and all other charges were passed through, including the energy purchased from other participants. All costs (network, metering, renewable certificates, etc.) were passed onto the customer as a separate line item on the bill without a retail margin.<sup>146</sup>

Information on Energy Made Easy was limited, but the retailer’s website explained that it does not provide a fixed electricity tariff. Instead, customers would enter an open electricity marketplace where their outcomes would depend on their energy usage and production profiles, their preferences and the market.<sup>147</sup> The Localvolts Marketplace app provided customers with direct access to the electricity market, allowing them to sell electricity at their own prices, choose who they buy energy from and access the wholesale spot market. Customers could accept defaults to buy the cheapest energy from everyone or set their preferences to favour some suppliers.<sup>148</sup>

<sup>140</sup> QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, pp 113–114.

<sup>141</sup> Not all of these VPP plans were included on Energy Made Easy as generally available plans.

<sup>142</sup> Arcstream is not included in our analysis elsewhere in this report as it did not provide plans for the most common tariffs and tariff combinations that we cover (see section 2.1.1).

<sup>143</sup> K Wrigley, *Innovative end-to-end solar package now available in VIC and NSW*, 23 May 2022, Canstar Blue website, 2023, viewed 1 September 2023.

<sup>144</sup> K Wrigley, *Innovative end-to-end solar package now available in VIC and NSW*, 23 May 2022, Canstar Blue website, 2023, viewed 1 September 2023.

<sup>145</sup> Arcstream, *Virtual Power Plant (VPP)*, Arcstream website, n.d., viewed 17 July 2023.

<sup>146</sup> Localvolts, Response to QCA information notice (unpublished).

<sup>147</sup> Localvolts, *Join the Localvolts Marketplace*, Localvolts website, n.d., viewed 17 July 2023.

<sup>148</sup> Localvolts, *The Energy Market is Open to Everyone*, Localvolts website, n.d., viewed 17 July 2023.

#### 7.2.4 Partnerships with organisations supporting a move

Some retailers partnered with service providers that help customers to set up and connect to all the various utilities when they move. For example:

- Origin Energy and Sumo Power partnered with Ten Ants, a free service helping customers when they move house by setting up electricity, internet, water, gas, solar and LPG (liquefied petroleum gas).
- AGL and EnergyAustralia were among the providers of connectnow, a service helping customers to find suppliers in their area for electricity, gas, internet, pay TV and more when they move house.<sup>149</sup>

#### 7.2.5 Partnerships with other organisations

We had previously observed that retailers had partnered with various other organisations. In 2022–23, we observed many of those partnerships again, and some new ones—for example, between Simply Energy and ENGIE, which aimed to be a leader in the production of renewable hydrogen on a large scale.<sup>150</sup> ENGIE stated that it supported the transition to a carbon-neutral economy by providing energy solutions to households, businesses and communities, and that it had 1,000 megawatt (MW) of generation capacity and more than 2,000 MW of renewable energy under development.<sup>151</sup>

#### 7.2.6 Donations to a not-for-profit organisation

We had previously highlighted Red Energy’s residential and small business ‘Red BCNA Saver’ plans, which included a contribution of \$5 from Red Energy to the Breast Cancer Network Australia (BCNA) each month a customer was on one of these plans.<sup>152</sup> Such plans were still available in 2022–23. Red Energy also had residential ‘Red Wildlife Saver’ plans published in 2022–23. These plans included a contribution of \$5 from Red Energy to Taronga Conservation Society Australia each month a customer was on such a plan.

#### 7.2.7 Rewards for responding to peaks in demand

We had previously reported on EnergyAustralia’s ‘PowerResponse program rebate’ that was attached as an incentive to various residential plans throughout 2020–21 and 2021–22 to temporarily reduce electricity usage during periods of high demand.<sup>153</sup> Similarly, AGL offered rewards to lower electricity usage during peak events—that is, during times with high demand for energy on the grid (usually between one and three hours) due to weather or other circumstances. AGL reported continued growth on its peak demand response scheme in 2022–23.<sup>154</sup>

Customers could voluntarily join AGL’s Peak Energy Rewards Program and receive SMS alerts before a peak energy event occurred. Customers who decided to opt in could either delay or switch off appliances to reduce their usage for the duration of the event (e.g. by adjusting their

<sup>149</sup> connectnow, *Moving home soon?*, connectnow website, n.d., viewed 31 August 2022; Ten Ants, *Moving house? Get moving in a flash*, Ten Ants website, n.d., viewed 18 July 2023; Ten Ants, *Moving should be simple*, Ten Ants website, n.d., viewed 18 July 2023. We note that there were no plans published on Energy Made Easy that suggested that these retailers offered specific plans through (or with) those organisations.

<sup>150</sup> ENGIE, *Hydrogen – speeding up the transition towards carbon neutrality*, ENGIE website, n.d., viewed 18 July 2023.

<sup>151</sup> ENGIE, *Accelerating the transition to a carbon-neutral economy*, ENGIE website, n.d., viewed 18 July 2023; ENGIE, *Simply Energy - Energy plans for your home and business*, ENGIE website, n.d., viewed 18 July 2023; ENGIE, *About ENGIE*, ENGIE website, n.d., viewed 18 July 2023.

<sup>152</sup> QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, pp 43, 51.

<sup>153</sup> QCA, *SEQ retail electricity market monitoring 2020–21*, 2021, pp 117–118; QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, p 42.

<sup>154</sup> AGL, Response to QCA information notice (unpublished).

air-conditioner or waiting until the event is over before using appliances like a washing machine or electric oven). After the event, customers would get an email report of their usage and would be rewarded with bill credits if they met their energy reduction targets.<sup>155</sup>

According to AGL, more than 100,000 Peak Energy Rewards members were able to reduce demand on the grid in 2022–23 during 22 state-wide peak events and 7 network events. Across all events and participants, 259 MWh were reportedly saved—enough electricity to power around 17,000 average Australian households for a day. And across all participants, more than \$1,300,000 in customer rewards were earned.<sup>156</sup>

### 7.3 New retail tariff structures and plans in previous years

We have collected and analysed retail tariff structure and electricity plan information from Energy Made Easy and other sources since 2016–17, to assess if retailers have been offering more innovative and tailored products and services that match customers' needs and preferences since the deregulation of the market.

The Minister, when announcing on 1 July 2016 that SEQ's retail electricity market would be deregulated, stated that 'electricity customers will soon have access to a wider range of innovative electricity products and deals'. The Minister also said that households would be 'able to access products and packages which are more tailored to meet their individual needs and the way they use and consume energy'.<sup>157</sup>

In our previous six annual market monitoring reports (covering the years 2016–17 to 2021–22), we identified a number of new retail tariff structures and plans, including:

- subscription-based plans—customers paid a subscription fee to access wholesale rates, or an upfront monthly subscription fee for a set amount of electricity (similar to a mobile plan)
- predictable plans—retailers offered an annual fixed price based on forecast usage (the price was reviewed annually based on billed usage)
- fixed-rate plans—customers had fixed rates for 12 or 24 months (some plans also included a guaranteed reduction in prices should market prices decrease)
- powerpacks—plans that included a two-part tariff and allowed customers to select from a range of discounts on the usage charge, depending on their circumstances
- plans with a declining block time-of-use tariff structure—small business plans that combined a time-of-use tariff with a declining block tariff structure
- plans with a demand tariff—plans with separate supply, usage and demand charges for customers with a communication-enabled meter
- smart saver plans—Home HQ energy starter kits were included as an incentive to 'upgrade to a smart home', with all devices and appliances connected and communicating with each other
- plans giving access to wholesale rates—a weekly membership fee provided access to wholesale energy prices

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<sup>155</sup> AGL, *Win with Peak Energy Rewards*, AGL website, n.d., viewed 1 September 2023.

<sup>156</sup> AGL, *Win with Peak Energy Rewards*, AGL website, n.d., viewed 1 September 2023.

<sup>157</sup> M Bailey, *Deregulation brings competitive electricity pricing to South-East Queensland* [media release], Queensland Government, 1 July 2016.

- plans that passed through wholesale costs—a monthly fee was charged for the retail margin, and in turn all costs were passed through, with the wholesale energy usage price based on spot-market pricing
- plans with solar and battery—solar and battery covered a large portion (but not all) of a residential customer's annual energy consumption, and supply and usage charges applied to consumption over the annual allowance
- electric vehicle (EV) plans—plans that were launched specifically for owners of EVs, some of which included a discount when charging during the night, had substantially lower night rates, a free electricity use period attached as an incentive or allowed users to trade excess electricity from the EV battery during times of high demand
- bundled offers—plans that combined electricity with a variety of other services such as NBN broadband, mobile voice and data, internet or gas
- incentives to reduce electricity—customers were paid in bill credits to reduce their electricity usage during periods of high demand (e.g. in the evenings or on hot summer days)
- battery storage—plans that either required customers to have a battery or rewarded customers if they did, and/or provided additional discounts if customers had a battery
- new cost-reflective network tariffs—plans that reflected, at least to some degree, the underlying structure of the new network tariffs introduced by Energex
- plans tailored to specific customer groups—plans for senior citizens, customers aged 50 years or older, or customers who were eco-conscious, had a low consumption, preferred price certainty, or wished to install solar (but could not pay for it upfront or chose not to)
- VPP—plans that promised to ‘maximise the benefits and affordability’ of solar panels and battery and to work as a ‘network of connected home solar and battery systems that together support the electricity grid’
- partnerships with other organisations—plans offered to customers of partner organisations only (e.g. BMW, NAB, Rent.com.au or Westpac), plans that provided access to certain services (e.g. Kayo Sports) or included additional benefits (e.g. Everyday Rewards or Qantas points)
- community energy—plans that allowed customers to approach the retailer to create a collective, with the retailer then ‘matching’ the collective to one of its local generators to provide a renewable energy source option.<sup>158</sup>

## 7.4 New tools for innovative businesses

In our report for 2021–22, we provided information on the AER’s new regulatory sandboxing service that was set up to help energy innovators and startups to navigate complex regulatory frameworks and enable the trial of new products and services that will deliver greater choice and cheaper options for consumers.<sup>159</sup>

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<sup>158</sup> More information is available in our previous market monitoring reports: QCA, *SEQ retail electricity market monitoring: 2016–17*, 2017, pp 135–139; QCA, *SEQ retail electricity market monitoring: 2017–18* [updated report], 2019, pp 156–158; QCA, *SEQ retail electricity market monitoring: 2018–19*, 2019, pp 103–105; QCA, *SEQ retail electricity market monitoring 2019–20*, 2020, pp 133–136; QCA, *SEQ retail electricity market monitoring 2020–21*, 2021, pp 116–120; QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, pp 112–117.

<sup>159</sup> QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, pp 117–118.



As part of its regulatory sandboxing function, the AER launched an online energy innovation toolkit in August 2022. The toolkit helps energy technology and business innovators to access new tools to trial energy products and ideas, and connect them directly to energy regulation information, advice and expertise. According to the AER, many innovative projects have already received assistance and regulatory guidance through the online service, including VPPs, microgrids, new models for paying for and trading energy, EV charging and battery storage.<sup>160</sup>

New energy laws passed in December 2022 let businesses apply for rule waivers and temporary rule changes for trials of new products and services. Applications that get approved through the new trial portal enable energy businesses, innovators and technology start-ups to test innovative products and services in a real-world environment, while still protecting consumers. Customer protections will thereby not be a barrier to the adoption of new technology and innovation.<sup>161</sup>

We expect the AER's regulatory sandboxing service and its online energy innovation toolkit will have a positive effect on innovation. While retailers' innovation efforts depend on a number of factors, including competitive pressure, customer preferences and their own financial ability to invest in innovation, we believe that the AER's innovation offering is an important pillar to support and promote innovation in general and for the country's energy transition.

## 7.5 Barriers to new and innovative offerings

Retailers and customers face a number of challenges with regard to new types of retail tariff structures and retail electricity plans, which may slow down the emergence and adoption of such tariffs and plans. We discussed the following potential barriers to innovation in our previous market monitoring report<sup>162</sup> and consider that they are likely to continue to act as barriers:

- **Rollout of smart meters**—many of the more innovative retail tariffs and plans require customers to have a smart meter. However, as long as many customers in SEQ still have accumulation meters, the uptake of such tariffs and plans will naturally be limited. At the same time, retailers' incentives to develop and offer tariffs and plans that rely on smart meters or leverage smart meter data may be reduced if a large number of their customers cannot take up such offerings yet. This may also explain why not all retailers had plans with a retail demand tariff published on Energy Made Easy in 2022–23. As the rollout of smart meters progresses, this barrier is expected to decrease and eventually disappear.<sup>163</sup>
- **Higher wholesale energy costs**—the increase in costs and the resulting pressure on retailers may have negatively impacted retailers' willingness and ability to launch a broad range of new and innovative plans. At the same time, it could provide incentives to retailers to develop plans that benefit consumers, themselves and the network—for example, by encouraging customers to use electricity outside of peak times or by leveraging customers' electricity generation in combination with battery storage.<sup>164</sup>

<sup>160</sup> AER, *New tools help energy innovators trial technologies and services* [news release], 25 January 2023, viewed 18 August 2023.

<sup>161</sup> AER, *New tools help energy innovators trial technologies and services* [news release], 25 January 2023, viewed 18 August 2023.

<sup>162</sup> QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, pp 118–119.

<sup>163</sup> The Queensland Government targets 100% penetration of smart meters by 2030 (Queensland Government, *Queensland Energy and Jobs Plan: Power for generations*, 2022, p 36). Similarly, the AEMC recommended a target of a universal uptake (100% smart meters) in the NEM by 2030, and recognised the Queensland Government's Energy and Jobs Plan targeting a 100% uptake of smart meter devices by 2030 (AEMC, *Review of the regulatory framework for metering services* [final report], 2023, pp iii–iv, 26–27).

<sup>164</sup> The Independent Pricing and Regulatory Tribunal (IPART) raised concerns about how retailers would pursue innovative offers in the future in a market under stress. At the same time, IPART considered that the current wholesale market conditions were also likely to motivate retailers and customers to 'develop workable solutions to integrate large- and small-scale renewables and demand response schemes reliably into the grid to avoid worsening price shocks in future'. IPART was of the view that it could also encourage retailers to find efficiencies in their business, or develop or expand new retail offerings to help them avoid the

- **Regulation, standards and interoperability**—retail plans that combine new technologies (such as home batteries, solar, EVs and smart device control) and bundle energy and non-energy products can be attractive to customers. However, the interoperability of different technologies is often limited. There is, for example, no coherent set of data standards or requirement that different kinds or makes of equipment (e.g. different solar panel or battery brands) have to be able to ‘communicate’ with each other or with a central control system (e.g. a retailer). Therefore, a customer’s various technologies may not ‘work’ together.<sup>165</sup>
- **Comparability of plans**—new and innovative offerings (e.g. cost-reflective plans) may be more difficult for customers to understand and compare than traditional plans (e.g. flat rate plans). Energy comparison sites are intended to help customers to navigate the complex retail electricity market. However, not even Energy Made Easy can compare plans with demand charges or provide a bill estimate to help customers to assess which plan would be best for their circumstances. The lack of a DMO reference price for new and innovative tariffs may negatively affect customers’ perception of these plans too.
- **Implementation of tariff reform**—the views, challenges and concerns retailers expressed on reforming electricity distribution network tariffs during an AER roundtable event in 2022 are likely to still be relevant. For example, retailers noted that customers often do not understand cost-reflective network tariffs or see the value in those tariffs.<sup>166</sup> Simple and easy-to-understand energy plans are likely to remain most customers’ preferred choice. We have consistently noted that complexity may limit competition. If customers find it difficult to navigate the market, compare plans and switch, competition might not be working as effectively as it should, and customers will not benefit fully from it.

Some new products implicitly or explicitly require a **long-term commitment** that could act as a barrier for customers. For example, some bundled products that require equipment (such as solar panels and batteries) lock customers in for long periods (up to 10 years), so that the retailer can recover the higher upfront costs over time. The combination with non-energy products/equipment can make it impractical for customers to switch providers. There is also a greater potential risk for customers if they did not get sufficient information about the offer beforehand. These challenges could impact on the effectiveness of competition in the longer term.<sup>167</sup>

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impact of higher wholesale energy costs—for example, offerings that reward customers when they shift demand from peak to off-peak periods (IPART, [Monitoring NSW energy retail markets 2021–22](#) [final report], 2022, pp 46, 50).

<sup>165</sup> We note that the AEMC made final recommendations to improve compliance with technical standards for consumer energy resources (CER) in September 2023. These recommendations intend to support more standardised interactions between behind-the-meter devices such as rooftop PV, electric vehicles and battery energy storage systems. The AEMC cautioned that non-compliance with technical standards would negatively impact all electricity consumers, and also threaten power system security, reduce the amount of new CER that can connect to the grid, and put upward pressure on power prices (AEMC, [Review into consumer energy resources technical standards](#), AEMC website, n.d., viewed 20 October 2023).

<sup>166</sup> AER, [AER holds Retailer Roundtable to discuss tariff reform](#) [news release], 29 July 2022, viewed 30 September 2022. Recent research by the Essential Services Commission (ESC) on consumer behaviour suggests that customers may not be interested in adjusting their consumption behaviours for often only marginal gains or if it involves very complex or sophisticated rules and incentives (cited in IPART, [Monitoring NSW energy retail markets 2021–22](#) [final report], 2022, p 51).

<sup>167</sup> IPART, [Monitoring NSW energy retail markets 2021–22](#) [final report], 2022, p 38.

## 8 MARKET COMPETITIVENESS

### Key findings

Our assessment of key market indicators suggests that the outcomes in the SEQ retail electricity market in 2022–23 are broadly consistent with a competitive market.

#### Market rivalry between retailers continued

- Despite the increase and volatility of wholesale energy costs in late 2020–21 and early 2022–23, many retailers continued to compete on price during 2022–23, mainly through financial incentives and/or discounts.
- Some new and/or innovative plans were offered, including plans that combined solar panels, battery storage and an energy subscription. This suggests that retailers continued to compete by differentiating their plans and tailoring them to customers' needs.
- The switching rate spiked in the June quarter of 2022 as the impact of higher wholesale energy costs started to flow through to retailers and customers. While switching continued in 2022–23, it was at a comparatively lower level.
- Market concentration in the residential and small business markets increased to some extent as several smaller retailers exited the market and/or their customers switched to larger retailers in the latter part of 2021–22 and in 2022–23.
- The number of retailers that had plans available for residential and/or small business customers decreased substantially in 2022–23. However, competition between the retailers that were still active in the market appeared to continue.

#### Prices observed in the market rose more than forecast costs

- In a competitive market, changes in underlying costs—that is, network, energy and retail costs—should be reflected in prices. Our analysis is based on the costs we estimate annually for our determination of regulated prices in regional Queensland.
- Between 2015–16 and 2021–22, prices (bills) in SEQ moved in the same direction as costs. However, bills increased more steeply in 2022–23 than the costs we had estimated for our final determination of notified prices for 2022–23 (published in May 2022).

#### The spread of prices in the market decreased

- Price differences between plans are expected to accelerate competition as they provide an incentive for customers to shop around. We measure the spread of prices as the difference between the average standing offer bill and the average lowest market offer bill.
- In 2022–23, increased wholesale energy costs started to gradually flow through to market offer prices, but the default market offer (DMO), set in May 2022, capped standing offer prices. This led to a significant decrease in the spread.

#### Some customers remained inactive or disengaged, and complexity in the market persisted

- Many customers do not regularly switch retailers or plans. Some customers may choose to be inactive or disengaged, but for others it may not be a choice—they find the retail electricity market complex or do not have sufficient knowledge of the market.
- Competition might not be working as effectively as it should if customers—including vulnerable, inactive and disengaged customers—find it difficult to navigate the market and find the best plan for their circumstances and thus cannot fully benefit from competition.
- The shift from conditional to guaranteed discounts is likely to have reduced complexity, but other challenges remain, such as comparing and assessing innovative new tariffs—for example, Energy Made Easy does not provide full bill estimates for retail demand tariffs.

## 8.1 QCA methodology

We focused on key market indicators to assess the competitiveness of the SEQ retail electricity market as we had done in previous years, including:

- the extent of market rivalry between retailers (section 8.2)
- the movement of prices and costs (section 8.3)
- the spread of prices available in the market (section 8.4)
- the apparent inactivity or disengagement of some customers (section 8.5)
- the complexity of the market (section 8.6).

These market indicators allow us to gain insights into the competitiveness of the SEQ retail electricity market. It is important to consider the development of market outcomes and indicators over time, rather than over a single year. Furthermore, all the market indicators should be interpreted in conjunction, as no single indicator can independently show whether the market is competitive and provides good outcomes for customers.

We consider that firm conclusions about the state of competition should not be drawn from this analysis alone. Our assessment should be read in conjunction with other reviews that analyse the operation and competitiveness of retail electricity markets in the NEM, including in SEQ. These reviews include the ACCC's ongoing inquiry into the NEM<sup>168</sup> and the AER's annual retail markets report and state of the energy market report.<sup>169</sup>

## 8.2 Extent of market rivalry

In a competitive market, firms or retailers need to ensure they can attract and retain customers, for example by increasing their efficiency and offering lower prices, or by providing better products or services. If a firm or business tries to raise its prices excessively without providing a better product or service, or if its offerings are priced similar to those of its competitor but are of a lower quality, it is likely to lose customers to one of its competitors.

These principles apply to the retail electricity market too. When retailers compete, they put pressure on one another, which is expected to lead to a better outcome for customers. If the extent of market rivalry is high, retailers will try to gain profit and market share from one another through lower prices, innovative offers, better service, or a combination thereof. To examine the extent of rivalry between retailers, we considered whether:

- the outcomes related to bills (chapter 2 and appendix A), discounts, savings and incentives (chapter 3) and price trends (chapter 5 and appendix C) demonstrate that retailers were competing on price by adjusting their plans in response to the plans of other retailers
- the introduction of new retail tariffs and plans (chapter 7) suggests that retailers were using new and innovative tariffs and plans to compete for and attract customers
- customers were active and engaged in the market
- market shares and market concentration have changed over time, in particular due to customers switching retailers, presumably in search of a better plan and/or better service
- the number of retailers competing for customers has increased or decreased over time.

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<sup>168</sup> ACCC, *Electricity market monitoring inquiry 2018–2025*, ACCC website, n.d., viewed 13 September 2023.

<sup>169</sup> AER, *Retail performance reporting* and *State of the energy market reports*, AER website, n.d., viewed 13 September 2023.

### 8.2.1 Competition on price

Retailers can compete on price by:

- lowering the supply, usage and/or other charges of their plans or—in an environment characterised by rising costs—by increasing these charges less than their competitors
- attaching guaranteed and/or conditional discounts to their plans
- attaching financial incentives to their plans.

Against the backdrop of the increase in wholesale energy costs during the latter part of 2021–22 and in early 2022–23, most retailers did not have a market offer available in the June quarter of 2023 that was cheaper than their cheapest plan a year ago. Despite higher prices, we observed a wide range of prices in 2022–23 for each of the tariffs and tariff combinations cover in this report (chapter 2 and appendix A). This means that many customers could still find a cheaper plan in 2022–23 if they shopped around, as not all retailers increased their prices to the same extent.

Fewer retailers attached discounts to their plans in the June quarter of 2023 than in the June quarter of 2022. This reduced use of discounts is a trend we have observed since 2019–20. Following the changes to the legal framework for discounting (section 3.3), retailers started to attach fewer guaranteed discounts, and in particular fewer conditional discounts, to their market offers. In contrast, retailers predominantly competed on price by using headline discounts in 2017–18 and 2018–19. This was particularly the case after Alinta Energy entered the market in August 2017.<sup>170</sup>

In the June quarter of 2023, the cheapest market offer of each residential and small business tariff and tariff combination that we cover in this report did not have the lowest overall supply or usage charges in the market in most instances. Instead, either a guaranteed or conditional discount and/or a financial incentive made them the cheapest offers (chapter 2). A guaranteed discount effectively means that the retailer guarantees lower supply and/or usage charges. As such, a guaranteed discount may be seen as a way of advertising lower supply and/or usage charges.

We also observed that various retailers attached financial incentives to their plans in the June quarter of 2023. Financial incentives can lower a customer's bill significantly, although they are often only one-off incentives when a customer takes up the plan. Nonetheless, as financial incentives lower the price paid by customers and are often very prominent in retailers' advertisements, they can induce customers to switch and thereby increase competition.

### 8.2.2 Competition on innovative tariffs and service offerings

In addition to competing on price, retailers can also compete on non-price aspects of their offerings. Retailers may, for example, provide clear and simple plans that are easy to understand, have only a few plans that are easy to compare, offer a selection of payment options, have multi-lingual customer service representatives, invest in overall customer experience, offer incentives or reward programs, provide convenience through the option of bundling energy plans with non-energy products, or allow customers to reduce carbon emissions through GreenPower.

Competitive markets provide incentives for retailers to innovate and tailor products and services to meet the preferences and needs of their customers. Related products and services that lower the costs of electricity supply, improve user experience, or provide other benefits to consumers are a potential source of innovation in the retail electricity market,<sup>171</sup> and an additional way for

<sup>170</sup> For an analysis of the impact of Alinta Energy's entry into the SEQ market, see QCA, *SEQ retail electricity market monitoring: 2017–18* [updated report], 2019, chapters 2, 5 and 9 (section 9.3.1).

<sup>171</sup> AEMC, *2019 Retail Energy Competition Review* [final report], 2019, p 148.

retailers to compete. Some customers may even be prepared to pay more if a specific plan fits their needs and preferences.

Retailers introduced a limited number of new retail tariffs and plans each year between 2016–17 and 2021–22 (chapter 7). Plans that were new or became more common in 2022–23 included plans offered through service providers that help customers to connect their utilities when they move house; plans where solar panels, a battery storage unit and a subscription-based energy plan were jointly offered; plans that gave customers access to a peer-to-peer electricity marketplace; and plans that involved a virtual power plant.

Not all retailers provided retail plans that were based, at least to some extent, on the new cost-reflective network tariffs. Such plans may become more common as the rollout of smart meters progresses and customers' understanding of those plans increases. Retailers' incentives to offer more innovative products are expected to increase too as more customers obtain a smart meter.<sup>172</sup> Smart meters offer the potential for greater innovation in retail electricity supply, including more options to reduce electricity usage costs, and provide more accurate billing.<sup>173</sup>

Competition on non-financial incentives seemed to continue too. In contrast to financial incentives, non-financial incentives do not reduce a customer's bill, but they can still provide benefits to customers and help attract customers. In 2022–23, various retailers attached non-financial incentives to some or all of their market offers, but we did not observe as many new types of non-financial incentives as in previous years (chapter 3).

Retailers also continued to partner with other organisations to provide incentives to customers in 2022–23 (chapters 3 and 7).<sup>174</sup> The ACCC had previously observed that retailers were spending more on customer loyalty programs (non-price product add-ons). It noted that 'non-price competition reflects retailers targeting consumers with specified preferences, appealing to consumers' need for convenience and generally promoting a culture of retailer membership'.<sup>175</sup>

Retailers also continued to offer plans with different contract durations ('no lock-in' contract, one- or two-year contract or ongoing contract), a choice of payment and billing options (monthly or quarterly bills) or prices that may vary or are fixed for a certain time (although plans with fixed prices were much less common in 2022–23). While these contract terms and options were not new in 2022–23, they indicate that retailers continued to provide different plans that aim to meet customers' needs and preferences.

While product differentiation and different innovative products can add value to customers, we consider that they can also potentially add some complexity, even if (or especially when) the plans are not substantially different. The Essential Services Commission (ESC) also noted that the retail energy market is 'characterised by a relatively large volume of superficially differentiated offers', which can make searching the market more difficult, and does not empower consumers, reduce market complexity or enhance affordability. Meanwhile, the 'small number of more differentiated offers' often included complex tariff structures that did not seem to be attractive to consumers.<sup>176</sup>

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<sup>172</sup> IPART, *Monitoring the NSW electricity retail market 2020–21* [draft report], 2021, p 18.

<sup>173</sup> QCA, *Benefits of advanced digital metering* [ministerial advice], 2019, pp iii–iv.

<sup>174</sup> The AEMC noted in its latest retail energy competition review that retailers indicated that the trend of more product bundling and product add-ons was likely to continue, due to the drop in price dispersion and the associated increase in difficulty attracting customers through purely price-based mechanisms (AEMC, *2020 Retail Energy Competition Review* [final report], 2020, pp xv, 75–76).

<sup>175</sup> ACCC, *Inquiry into the National Electricity Market*, November 2021, p 40.

<sup>176</sup> ESC, *Victorian Energy Market Update: June 2022*, 2022, pp 10, 20.

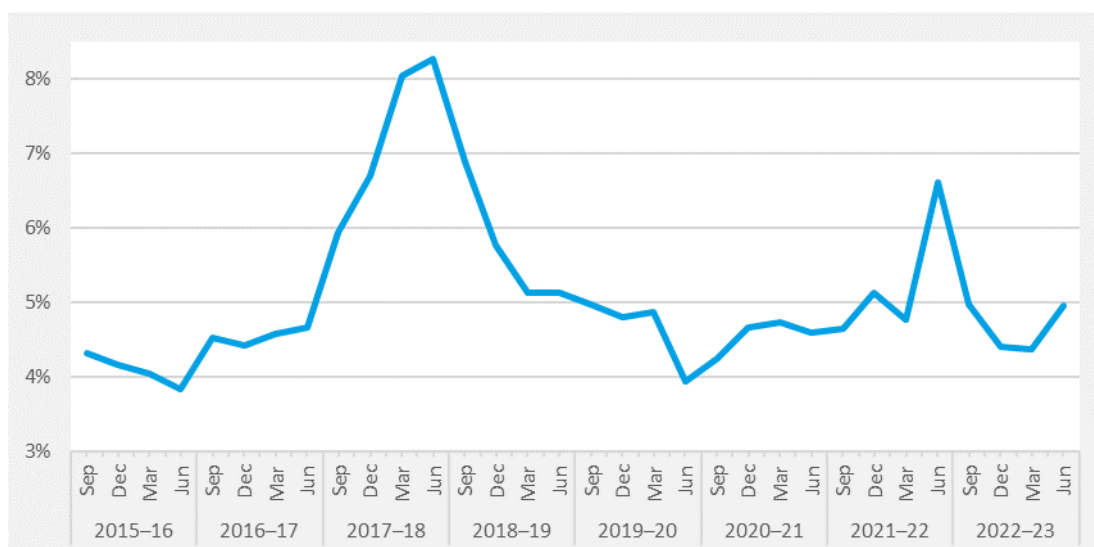
### 8.2.3 Switching rate

In a competitive market, customers are expected to be active and engaged in the market. The switching rate is one indicator of customer activity and engagement—and thus of competition.<sup>177</sup> If the retail electricity market is competitive, we generally expect engaged and well-informed customers to switch as new plans become available that are sufficiently cheaper and/or better suit their needs.

Customers can either switch to a better plan of their current retailer or to another retailer. Data is only available on customers switching to another retailer, as retailers do not have to report on customers switching to another plan. If retailers deliver good-quality, well-priced services in a competitive market, customers may not see any reason to switch retailers, and as such, publicly available data would suggest low switching activity. Customers may still be engaging with the market but decide to stay on their current plan or change plans with the same retailer.<sup>178</sup>

After retail electricity prices were deregulated in SEQ in mid-2016, the share of customers switching retailers increased (Figure 21). Switching activity rose substantially after Alinta Energy entered the SEQ market in mid-2017 with plans that had high discounts attached. Following the introduction of initiatives to encourage customer engagement, switching rates peaked in 2018.<sup>179</sup> Switching rates declined thereafter and remained lower until the last quarter of 2021–22 when switching activity increased again significantly as wholesale energy costs (and retail electricity prices) rose steeply. However, the switching rate was lower again in 2022–23.

**Figure 21 Switching rate in SEQ by quarter, 2015–16 to 2022–23**



*Note: Quarterly switching rates are not annualised. The switching rate in the June quarter of 2023 is based on AER customer numbers for the March quarter of 2023—customer data for the June quarter of 2023 was not available at the time we finalised our report. After AGL acquired Click Energy, Click Energy customers were transferred to AGL. As these customer transfers were not customer-initiated switching activities and would have substantially influenced our analysis, we removed the large number of customer transfers in April 2021 from our dataset.*

*Sources: Retail transfer statistical data (detailed monthly data) provided by AEMO; AER, [Retail performance reporting](#), AER website, n.d., viewed 8 November 2023; QCA analysis.*

<sup>177</sup> The switching rate as a measure of consumer engagement is discussed in more detail in A O'Keefe and D Wong, 'Money left on the table or rational inertia? Consumer engagement in Victoria's retail electricity sector', *Victoria's Economic Bulletin*, vol. 3, April 2019, p 3.

<sup>178</sup> AER, *Annual retail markets report 2020–21*, 2021, p 24.

<sup>179</sup> AER, *State of the energy market 2021*, 2021, p 15.

We consider that a number of reasons may explain the swings in switching activity since 2021–22:

- During the coronavirus pandemic, some residential customers spent more time at home and/or worked from home full-time, which led to higher electricity bills, while some businesses were less active, which decreased their electricity usage. These changes may have led some customers to shop around for a plan that better suited their new circumstances.
- As wholesale energy costs increased, retailers started to pass on these higher costs to customers whose plans did not have fixed rates or whose fixed-rate plans expired. Such bill increases are likely to have triggered some customers to switch retailers.
- Some customers may have noticed the increasing media attention on the energy market and rising bills, which could have prompted them to shop around for a better deal.
- A few retailers actively encouraged customers to leave/switch as wholesale energy costs increased,<sup>180</sup> and it is likely that many customers would have followed their retailer's advice.
- Some retailers failed and exited the market as wholesale energy costs rose. In these cases, customers did not voluntarily switch, but were automatically transferred to the retailer of last resort to ensure their continued supply of electricity.<sup>181</sup>
- Other customers may have feared that their (smaller) retailer could fail too or raise prices, and decided that it would be better to switch to another (larger) retailer.
- In 2022–23, the electricity price increases were widely publicised. This may have created an impression for some customers that all plans were now much more expensive, and that it would not be worth their while trying to look for a cheaper plan in this environment.
- Customers would often achieve direct cost reductions (lower bills) when they switched in the past. However, they were likely to still pay more than before even if they switched in 2022–23. As such, the 'reward' from switching may not have been as clear, as the bill was still higher than before, but not as high as it would have been without switching.

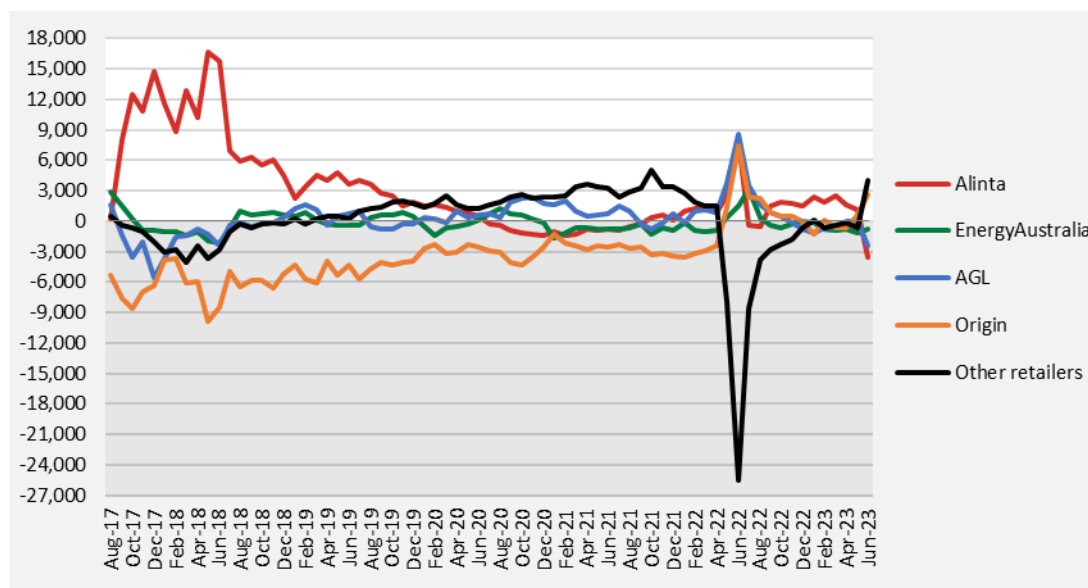
We consider that switching activity between and across retailers and retailer groups is an indicator of competitive rivalry. Figure 22 shows net customer transfers—that is, a retailer's customer gains minus its customer losses. A negative value means that the retailer lost more customers to other retailers than it gained, while a positive value indicates that the retailer had a net gain of customers.

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<sup>180</sup> S Sharples, 'Victorian energy provider Electricityinabox begs customers to leave', *news.com.au*, 20 June 2022, viewed 28 September 2022; M Ludlow, 'Go elsewhere for cheaper power, ReAmped Energy tells its customers', *Australian Financial Review*, 31 May 2022, viewed 28 September 2022; C Packham, 'Power companies tell customers: leave us, we're too expensive', *Australian Financial Review*, 19 May 2022, viewed 28 September 2022.

<sup>181</sup> AER, *Retailer failure*, AER website, n.d., viewed 8 November 2023.



**Figure 22 Monthly net customer transfers in SEQ, August 2017 to June 2023**

Notes: A net customer transfer is defined as customer gains minus customer losses during the same period of time. We removed customer transfer data from our dataset that was a result of acquisitions, as this switching activity was not initiated by a customer. This includes transfers of Click Energy customers to AGL in April 2021 and Powerdirect customers to AGL in October 2022. The category 'Other retailers' includes all the other retailers not separately shown in this graph.

Sources: Retail Transfer Statistical Data (monthly data) provided by AEMO; QCA analysis.

We noted last year that the smaller retailers (summarised as 'other retailers' in Figure 22) had net customer gains in each month for over three years, from March 2019 to April 2022. But as wholesale energy costs increased, various retailers either exited the market or increased their prices. Such increases may have prompted their customers to switch. Some retailers even encouraged their customers to switch. This resulted in substantial customer losses for the smaller retailers in May, June and July of 2022, followed by smaller net losses each month during most of 2022–23.

The main beneficiaries of these customer losses were the larger retailers—Alinta Energy, AGL, EnergyAustralia and Origin Energy. Part of Origin Energy's customer gains were through the retailer of last resort process, which ensures customers' continued electricity (and/or gas) supply in the event of a retailer failing.<sup>182</sup> Alinta Energy recorded net gains of over 1,000 customers in most months during 2022–23. This trend reversed in June 2023, when the 'other retailers' made a combined net gain of over 4,000 customers again. This may have been triggered by the announcement of some of the larger retailers that customers would see substantial electricity price increases with effect from 1 July.<sup>183</sup>

Although we observed regular switching activity over time, we acknowledge that some customers may not switch for various reasons. Some customers may find it hard to compare different plans and determine which plan is best based on their current circumstances and consumption. There are also costs and barriers to switching, including transaction costs (time and effort), disconnection/reconnection fees, a bias towards the status quo and fears of being worse off after switching. Survey results suggest that nearly one in four respondents had considered switching

<sup>182</sup> Origin Energy is the designated default retailer of last resort in Queensland (AER, [Register of RoLRs](#), AER website, n.d., viewed 21 September 2023).

<sup>183</sup> M Gabaji, [AGL, Origin electricity prices go up 1 July – but it's possible to soften the blow](#), 14 June 2023, Finder website, 2023, viewed 14 September 2023.

plans in the past year but had not done so, and only one in ten had actually switched. This finding was seen as an indication of both an appetite for switching and barriers to doing so.<sup>184</sup>

Switching may also be actively hindered by retailers. Some retailers reportedly use retention plans (that are not generally available to other customers) to 'save' customers before their switching process is finalised.<sup>185</sup> ReAmped Energy requested a change to the NERR to stop retailers from offering 'save' or 'win-back' plans to prevent customers from switching, arguing that 'the incumbent retailers should be forced to compete properly in the market, not rely on anti-competitive practices to preserve their customer bases'. It noted that 'win-back' practices that are primarily used by the incumbent retailers, 'continue to put the brakes on the improved competition that's benefiting many consumers every day but could be benefitting even more.'<sup>186</sup>

#### 8.2.4 Market shares and market concentration

In a competitive market, competitors challenge the market position of the incumbents and try to gain market share from them. Accordingly, we would expect to see a reduction in larger retailers' market shares and a decrease in market concentration over time if the SEQ retail electricity market is competitive. In the following sections, we analyse how market shares changed up to the March quarter of 2023—the most recent data available at the time of writing this report—and how this impacted on market concentration in the SEQ retail electricity market.<sup>187</sup>

##### Market shares

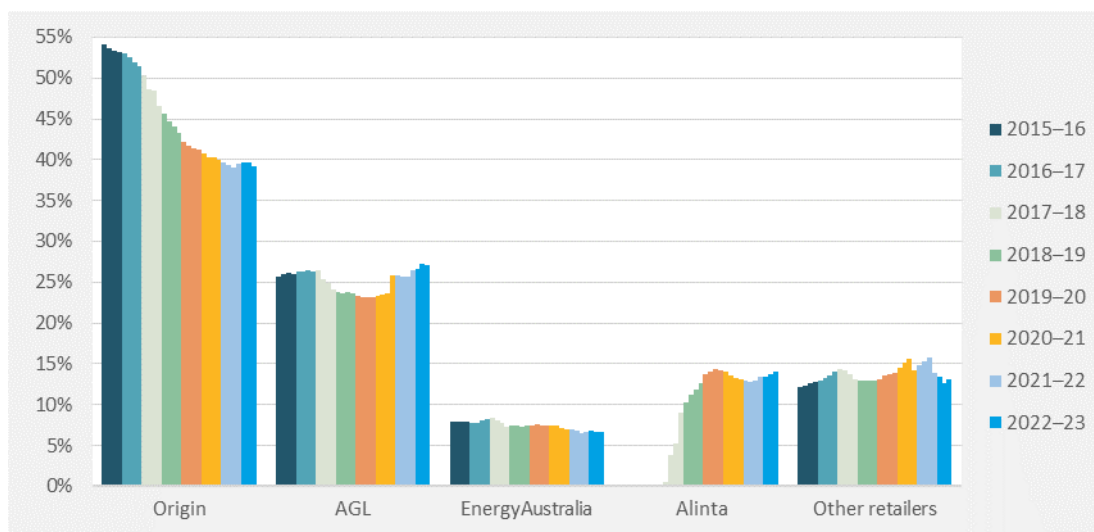
Figure 23 shows that the largest incumbent—Origin Energy—has lost market share over time. And so did AGL—the second-largest retailer—until the last quarter of 2020–21 when its market share rose again following its acquisition of the Click Energy Group that operated Amaysim Energy and Click Energy. Nonetheless, the combined market share of these two largest retailers decreased from about 80% to 66% (September quarter of 2015 to March quarter of 2023). This market share was primarily captured by Alinta Energy and some other (smaller) retailers. The three largest retailers—AGL, Alinta Energy and Origin Energy—had a combined market share of about 80% in the March quarter of 2023.

<sup>184</sup> Behavioural Economics Team of the Australian Government (BETA), *Improving energy bills: final report* [prepared for the Australian Energy Regulator], 2021, pp 3, 49.

<sup>185</sup> The AEMC made a final rule in December 2019 to speed up the process of transferring customers to a new retailer (AEMC, *Reducing customers' switching times* [rule determination], 2019). We expect that this rule reduces retailers' ability to 'save' customers to prevent a switch. However, we again found a number of retention plans on Energy Made Easy during 2022–23, which suggests that this practice is continuing.

<sup>186</sup> ReAmped Energy, *Why we're campaigning to end customer win-back offers*, 15 February 2022, ReAmped Energy website, n.d., viewed 5 October 2022; AEMC, *Preventing retailers making retention offers to switching customers*, AEMC website, n.d., viewed 5 October 2022. The rule change request (received in January 2022) was still pending at the time of writing this report.

<sup>187</sup> The analysis in this chapter is largely based on our own calculations using data from the AER. It is important to take the following advice from the AER into account when interpreting the data and calculations and drawing conclusions: (1) AGL advised the AER of 'significant errors' with the information it had provided that impacted on many reporting metrics over 2017–18. The AER stated that although AGL resubmitted a complete data set for 2017–18, AGL indicated that previous years' data may still be inaccurate (AER, *Retail energy market performance update for Quarter 2, 2017–18*, 2018, viewed 12 October 2021); (2) EnergyAustralia resubmitted customer numbers across a range of categories, for all jurisdictions, in November 2019. The AER noted that these numbers varied by up to 15% from those originally submitted (AER, *Annual retail markets report 2018–19*, 2019, p 15).

**Figure 23 Retailers' market shares in SEQ by quarter, 2015–16 to 2022–23**

Notes: Market shares based on customer numbers collated by the AER (residential and small business customer numbers combined). The graph includes separate market shares for each quarter. Data for the June quarter of 2023 was not available yet at the time we finalised this report. Amaysim Energy/Click Energy and Red Energy/Lumo Energy, which we included separately in this section in previous years, are now included in 'Other retailers'. Sources: AER, [Retail performance reporting](#), AER website, viewed 3 November 2023; historical data provided by the AER; QCA analysis.

In 2022–23, Alinta Energy's market share continued to grow, cementing its position as the third-largest retailer in SEQ by market share. Other smaller retailers ('other retailers') also continually expanded their market share—at least up until late 2021–22. The expansion of their market share reversed when wholesale energy costs started to increase rapidly in the latter part of 2021–22. Rising costs disproportionately affected some of these smaller retailers, a number of which have since exited the market or encouraged their customers to switch to another retailer. However, 'other retailers' overall gained market share again in the March quarter of 2023.<sup>188</sup>

The switching activity in the last few months of 2021–22 and over the course of 2022–23 (section 8.2.3) reflects these changes in market shares, especially the substantial net loss of customers of 'other retailers' in most months over this period of time. We consider that these changes in market shares, and their overall levels, are not, in themselves, inconsistent with a competitive retail electricity market, particularly where it is apparent that retailers were still competing with each other on both price and/or product differentiation.

### Market concentration

Competitive markets tend to have a low level of market concentration. In line with the changes in retailers' market shares illustrated above, market concentration in the SEQ retail electricity market—measured by the Herfindahl-Hirschman Index (HHI)<sup>189</sup>—decreased over the past few

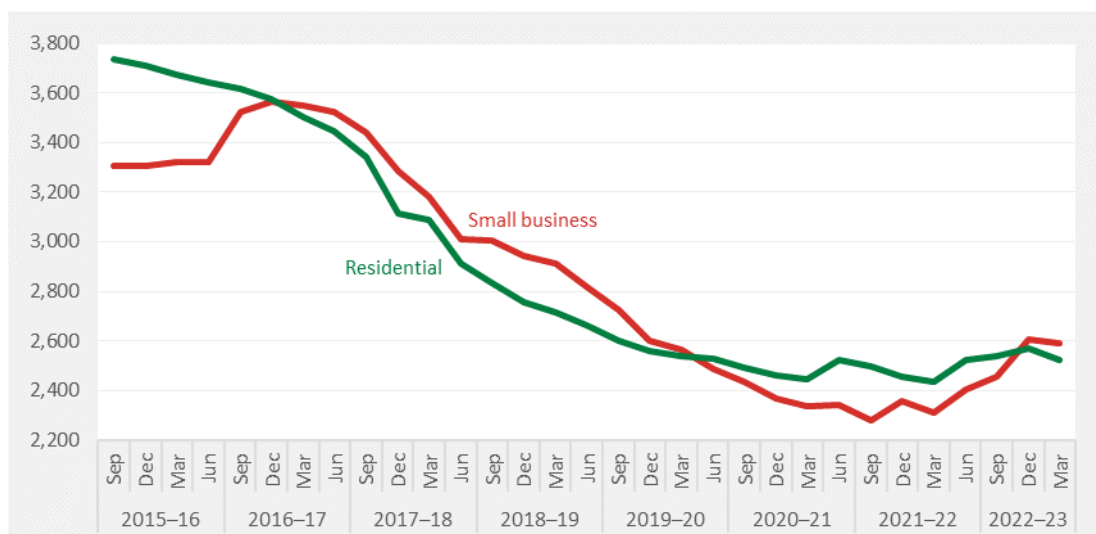
<sup>188</sup> Roughly half of the 'other retailers' included in the AER's performance reporting data had less than 1,000 residential and/or small business customers in SEQ in the March quarter of 2023, and about one-fifth of them had less than 100 customers (AER, [Retail energy market performance update for Quarter 3, 2022–23](#) [schedule 2], 2023, viewed 15 September 2023; QCA analysis).

<sup>189</sup> The HHI is a commonly used measure of market concentration, which is calculated by summing the squares of the market shares of all firms competing in a market. A market that has a single firm (i.e. a monopoly) has a HHI of 10,000 (100×100), while a theoretically perfectly competitive market has a HHI approaching zero (AEMC, [2018 Retail Energy Competition Review](#) [final report], 2018, p 25; AEMC, [2019 Retail Energy Competition Review](#) [final report], 2018, p 33; AEMC, [2020 Retail Energy Competition Review](#) [final report], 2020, p 28). The ACCC takes the HHI into account as part of an overall assessment of a merger between two firms. In its merger guidelines, the ACCC states that it is generally less likely to identify horizontal competition concerns with a merger if the post-merger HHI is below 2,000 (ACCC, [Merger Guidelines](#) [amended November 2017], 2008, pp 34–35). The AEMC concluded that this threshold could therefore be interpreted as 'one indication of a workably competitive market' (AEMC, [2019 Retail Energy Competition Review](#) [final report], 2018, p 36).

years, especially from the second half of 2016–17 until 2021–22 (Figure 24).<sup>190</sup> The decrease in the HHI indicates that market concentration decreased and suggests that competition was gradually developing and enhancing in the SEQ retail electricity market during that time.

Following the increase in wholesale energy costs, several retailers exited the market and some customers switched from smaller to larger retailers during 2021–22 and 2022–23 (Figure 22 and Figure 23). These events contributed to the increase in the HHI. However, as we note above, we still observed retailers competing on price and/or product differentiation, as well as switching activity between and across retailers and retailer groups. As such, we do not consider that the recent increase in the HHI, against the backdrop of rising wholesale energy costs, is inconsistent with a competitive retail market.

**Figure 24 Herfindahl-Hirschman Index of the SEQ retail electricity market, 2015–16 to 2022–23**



Notes: The index is based on residential and small business customer numbers collated by the AER. Data for the June quarter of 2023 was not available at the time we finalised this report.

Sources: AER, *Retail performance reporting*, AER website, viewed 3 November 2023; historical data provided by the AER; QCA analysis.

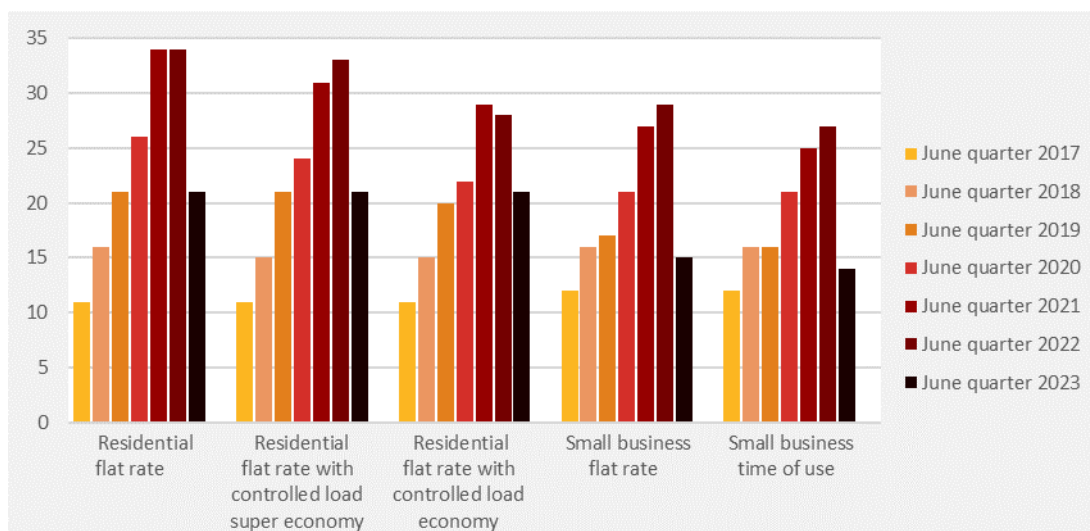
### 8.2.5 Number of retailers

The number of retailers with at least one market offer available to SEQ customers increased substantially from the June quarter of 2017 to the June quarter of 2022 for each of the five tariffs and tariff combinations we cover in this report (see chapter 2). However, their number decreased significantly by the June quarter of 2023 (Figure 25).<sup>191</sup>

<sup>190</sup> The increase in the HHI in the small business retail electricity market in 2016–17 can be explained by two concurrent trends: total small business customer numbers in SEQ decreased substantially in the first quarter of 2016–17, and continued to decrease—yet to a smaller extent—in the remaining quarters of 2016–17; and small business customer numbers of Origin Energy—the retailer with the largest market share—increased from quarter to quarter until the middle of 2016–17.

<sup>191</sup> Under the National Energy Retail Law (NERL), retailers must hold a retailer authorisation (unless exempt from the requirement) before they can sell electricity to customers. Some authorised retailers are publishing electricity plans under their own name and under a different retail ‘brand’, which does not have an authorisation in its own right. The plans of the authorised retailer and those of its retail brand(s) are often substantially different in terms of price and/or other features. We therefore count a retail ‘brand’ as an additional retailer.

**Figure 25 Number of retailers with generally available market offers for customers in SEQ, June quarters of 2017 to 2023**



Sources: QCA, *SEQ retail electricity market monitoring*, QCA website, 2023; *Energy Made Easy*; QCA analysis.

The AER noted that the growth in the number of alternative (smaller) retailers supports effective retail competition. That number grew strongly from 2016 and remained relatively stable throughout 2022. However, sharp increases in wholesale energy costs caused some strain for retailers, and the AER anticipated that this would likely subdue interest from new market entrants until wholesale prices stabilise.<sup>192</sup> While existing retailers in the market still exert competitive pressure, higher wholesale energy costs may reduce competitive pressure from the threat of new market entries.

In 2022–23, only one new retailer—Ampol Energy—entered the SEQ retail electricity market with market offers. Meanwhile, a number of retailers either exited the market or did not have market offers published in 2022–23, which indicates that they were not actively competing for new customers while wholesale energy costs remained elevated. We observed the largest decrease in retailers with small business flat rate market offers—down by 14, from 29 to 15, between the June quarters of 2022 and 2023. The number of retailers with market offers for residential customers decreased by 7 to 13 during the same time.

However, competition does not intensify or decrease in parallel with the number of competitors in a market. A market with twice the number of competitors is not necessarily twice as competitive. Meanwhile, a market with relatively few players can be very competitive if none of the players has a significant influence in the market. Moreover, a larger number of retailers may increase costs for customers (search costs) and retailers (acquisition and retention costs), and also create costs to the energy industry overall (transfer costs):

- search costs—the larger number of retailers could add complexity for customers trying to navigate the market and thereby reduce customers' willingness to engage with the market; and finding the best deal or shopping around could be further complicated, as retailers' plans can vary significantly and 'hundreds of retail offers' may be available at any one time<sup>193</sup>
- acquisition and retention costs—these costs tend to be higher in jurisdictions with high switching rates, even though the costs should (in theory) be offset by reduced retailer profit margins that decrease in a competitive environment; however, there is a risk that

<sup>192</sup> AER, *State of the energy market 2023*, 2023, p 34.

<sup>193</sup> AER, *State of the energy market 2022*, 2022, p 180; AER, *State of the energy market 2023*, 2023, p 220.

competition may increase energy bills for customers if the costs of competing outweigh the competition benefits from efficiency and innovation<sup>194</sup>

- transfer costs—systems need to be established and maintained to facilitate the transfer of customers between retailers in a timely and smooth manner.

Overall, the costs to competition should outweigh the benefits of competition, which include reductions to costs and cost drivers, and more innovation. In our view, the decrease in retailers in 2022–23 is not expected to directly impact on competition. We have observed competition in the market among the remaining retailers. We also consider that competition does not intensify or decrease in parallel with the number of competitors in a market.

### 8.3 Movement of prices and costs

Electricity prices are to some extent determined by the underlying costs, which include network costs, energy costs and retail costs. As these costs make up a substantial part of a customer's bill, an increase in prices (bills) may result when the underlying costs increase, even if the retail electricity market is competitive. By the same token, we would expect to see decreases in the underlying costs translate into lower prices (bills) if there is sufficient competition. In a competitive retail electricity market, we therefore expect changes in prices to broadly reflect changes in the underlying costs.

#### 8.3.1 Cost build-up for notified prices

Separate from our monitoring of the SEQ retail electricity market, we set regulated ('notified') prices in regional Queensland each year. In accordance with the Queensland Government's uniform tariff policy, we set electricity prices for residential and small business customers that broadly reflect the expected prices for similar SEQ customers on standing offers. Under our approach, we derive the estimated costs of supplying small customers in SEQ, which serve as a basis to set regulated prices for regional Queensland.<sup>195</sup>

In a competitive market, we would expect prices to broadly move in line with changes in the underlying costs. While an in-depth assessment of retailers' actual costs is outside the scope of this report, we can gain some indicative views of how costs have developed over time compared to prices, using the cost components that we estimated and applied in the cost build-up methodology for the determination of notified prices in regional Queensland. The cost components for notified prices include network costs, energy costs, fixed and variable retail costs and small-scale renewable energy scheme (SRES) costs.

To compare prices and costs in SEQ, we used these estimated costs for residential and small business flat rate tariffs as a proxy for the actual costs retailers incurred.<sup>196</sup> We grouped the cost components we used in our determinations for the notified retail electricity prices in regional Queensland for 2015–16 to 2022–23 ('build-up of prices') into three categories<sup>197</sup>—network costs,

<sup>194</sup> AER, *State of the energy market 2022*, 2022, pp 182–183; AER, *State of the energy market 2023*, 2023, p 222.

<sup>195</sup> QCA, *Regulated retail electricity prices for 2018–19* [final determination], 2018, pp 53–63; QCA, *Regulated retail electricity prices for 2019–20* [final determination], 2019, pp 8–10; QCA, *Regulated retail electricity prices for 2020–21* [final determination], 2020, p 9; QCA, *Regulated retail electricity prices for 2021–22* [final determination], 2021, p 11; QCA, *Regulated retail electricity prices for 2022–23* [final determination], 2022, p 9.

<sup>196</sup> We do not have access to retailers' actual costs in 2022–23 (nor in previous years). We consider that the ACCC is best placed to compare and report on how actual costs impact on retail electricity prices in SEQ, given the ACCC's information-gathering powers.

<sup>197</sup> QCA, *Regional electricity prices*, QCA website, 2023. For our analysis, we included SRES cost pass-through costs in retail costs and excluded the standing offer adjustment component of notified prices.

energy costs and retail costs—and then calculated the annual costs using the consumption levels of a typical SEQ residential or small business flat rate customer (see chapter 2, Table 2).

It is important to be cautious when applying the estimated costs to any assessment of prices in the deregulated SEQ market, for the following reasons:

- Our pricing decisions reflect our best estimate of costs based on the information available to us at the time of each determination; actual costs may be higher or lower than our estimate.<sup>198</sup> In addition, our decisions do not reflect differences in costs between retailers<sup>199</sup> or account for differences in the costs of supplying products with different attributes.
- We monitor annual bills (including discounts and incentives) for a typical SEQ customer based on plans that were generally available in a particular year, whereas it is the prices customers actually pay over time that enable retailers to recover their costs.
- Retailers use different pricing strategies to recover their costs, which can result in a wide range of prices in the market. For example, prices in a competitive market may vary to reflect the willingness to pay of different groups of customers. This may result in retailers increasing prices for less price-sensitive customers by a bigger amount than prices for more price-sensitive customers. Further, some retailers use discounts and financial incentives in SEQ to decrease the prices for some of their customers. Retailers might also adjust the pricing components (such as supply and usage charges) to target high- or low-consumption customers, meaning that comparing changes in regulated and market prices on the basis of 'typical consumption' can be misleading.<sup>200</sup>
- We changed our approach to assessing retail costs for residential and small business customers in the 2016–17 pricing decision to a benchmarking approach, using market offers available in several NEM jurisdictions,<sup>201</sup> which made it impossible to isolate the change in costs from the change in approach.

These caveats should be kept in mind when interpreting our analysis. To provide some indicative insights, we calculated annual costs and average market offer bills based on the consumption levels of a typical SEQ customer (Table 2). Figure 26 and Figure 27 indicate that the average market offer prices for residential flat rate and small business flat rate customers (expressed as annual bills) moved roughly in line with the costs we estimated in most years. In 2022–23, average bills increased more steeply than the costs we had estimated for our final determination of notified price for 2022–23 (published in May 2022).

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<sup>198</sup> We generally publish our final determination on notified prices to apply in the following financial year in May each year, taking into account the most current information available at the time, while still meeting our final determination timeframe. The final determination for 2022–23 considered market data up until 15 April 2022 to estimate wholesale energy costs.

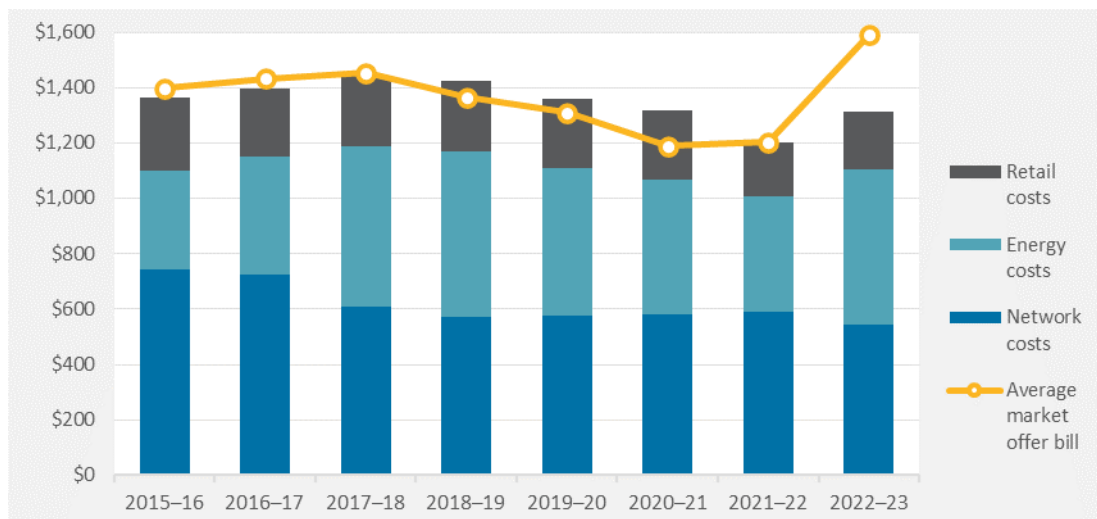
<sup>199</sup> For instance, retailers use a variety of strategies to manage the volatility of electricity spot prices, which may differ from the market hedging approach we use in our pricing decisions. In addition to the market hedging approach (which involves purchasing financial derivatives), other hedging strategies include entering into long-term power purchase agreements with electricity generators and investing in electricity generation. Some retailers are vertically integrated and own generation assets or are aligned with an electricity generation business, including AGL, Alinta Energy, EnergyAustralia, Origin Energy, Momentum Energy, Powershop, Red Energy, Shell Energy, Simply Energy and Tango Energy. Vertical integration allows retailers/generators to insure internally against price risk in the wholesale market, which reduces their need to participate in hedge (contract) markets (AER, *State of the energy market 2022*, 2022, pp 49–50; AER, *State of the energy market 2023*, 2023, pp 70–71).

<sup>200</sup> For example, Mojo Power said that its market offers generally contained a higher supply charge than its competitors, but much lower usage charges, making its plans generally more compelling for higher energy users. Customers that would save the most by switching to Mojo Power were generally not 'typical customers' who would be used as the basis for comparison (Mojo Power, *submission to the QCA, SEQ retail electricity market monitoring 2016–17* [scoping paper], 24 October 2016, p 2).

<sup>201</sup> QCA, *Regulated retail electricity prices for 2016–17* [final determination], 2016, pp 24–40.

The NEM was experiencing extraordinary volatility and uncertainty in late 2021–22 and early 2022–23, driven by both international and domestic events, which we could not fully anticipate at the time we made our final determination. These events put upward pressure on wholesale energy costs and are important determinants of retailers' energy costs and of the wholesale cost of energy in the NEM more broadly.<sup>202</sup> As wholesale energy costs increased, most retailers increased the prices of their market offers—in some cases substantially (see chapter 2). By contrast, standing offer prices could not increase to the same extent as market offer prices because the DMO put a cap on standing offer prices.

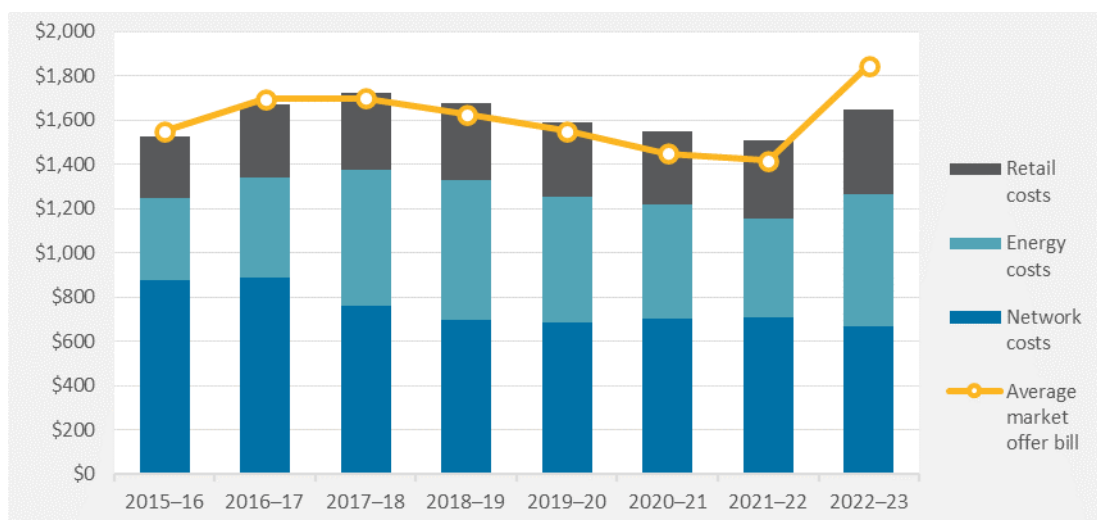
**Figure 26 Annual bills versus estimated costs—residential flat rate tariff, 2015–16 to 2022–23**



Note: Costs are estimates only and not actual costs retailers incurred. Annual costs and bills are in nominal dollars and include GST.

Sources: QCA, [Regional electricity prices](#), QCA website, 2023; *Energy Made Easy*; QCA analysis.

**Figure 27 Annual bills versus estimated costs—small business flat rate tariff, 2015–16 to 2022–23**



Note: Costs are estimates only and not actual costs retailers incurred. Annual costs and bills are in nominal dollars and include GST.

Sources: QCA, [Regional electricity prices](#), QCA website, 2023; *Energy Made Easy*; QCA analysis.

In addition, the unprecedented and specific nature of the retail market response to escalating wholesale prices makes the interpretation of average annual bills (across all retailers) more

<sup>202</sup> QCA, [Regulated retail electricity prices for 2023–24](#) [draft determination], 2023, pp 6–7.



complicated. Many of the smaller retailers with historically low prices were suddenly among the most expensive retailers, and the number of retailers with market offers decreased rapidly. The latter exacerbated the former, as some customers would have switched retailers when prices increased sharply. The substantially higher prices (bills) of some retailers also impacted on average bills, with those ‘outliers’ inflating average bill calculations.<sup>203</sup>

### 8.3.2 Other regulators' analysis of retail electricity costs and prices in SEQ

As part of its ongoing inquiry into the NEM, the ACCC monitors, among other things:

- retail prices, including the level and spread of electricity offers; how wholesale prices influence retail prices; and whether any wholesale cost savings are passed through to customers
- wholesale market prices
- profits made by generators and retailers
- contract market liquidity.<sup>204</sup>

The ACCC collects cost data directly from retailers by using its information-gathering powers, given that actual retailer cost data is not otherwise publicly available. We consider that the ACCC is better placed than any other government agency, regulatory body or industry stakeholder to analyse the extent to which retail electricity prices move with actual costs in SEQ because of the scope and ongoing nature of the ACCC's inquiry, and the information gathering-powers available to the ACCC under section 95ZK of the *Competition and Consumer Act 2010* (Cth).

The ACCC's November 2022 report covered a much wider scope of analysis than its usual November cost stack reports due to the significance of the energy market events during the year. Looking at SEQ, the ACCC's 2021–22 cost stack data showed that network costs, wholesale energy costs and the cost of complying with environmental schemes made up about 91% of the average residential customer's bill.<sup>205</sup>

In addition to its regular analysis of costs and bills, the ACCC monitors and enforces compliance with rules in the Competition and Consumer Act on electricity market misconduct that could harm competition in electricity markets. Among other things, these rules require retailers to pass on sustained and substantial reductions in their costs of procuring electricity to consumers by lowering their market offer prices.<sup>206</sup>

The AER analysed the cost components for the average residential customer in SEQ in 2021–22 and found that wholesale, network and environmental costs made up most of a residential electricity bill.<sup>207</sup> Similarly, the AEMC analysed the cost components of the electricity ‘supply chain’ that contribute to the overall price paid by residential consumers. It found that environmental policies, regulated networks and wholesale costs made up all but \$25 of an annual residential market offer bill in SEQ in 2021–22 for a representative customer.<sup>208</sup>

<sup>203</sup> Energy Consumers Australia, *Analysis of small business retail energy bills in Australia* [final report, prepared by Alvis Consulting, with Energy Consumers Australia], 2022, p 7.

<sup>204</sup> ACCC, *Electricity market monitoring inquiry 2018–2025*, ACCC website, n.d., viewed 29 April 2022.

<sup>205</sup> ACCC, *Inquiry into the National Electricity Market*, November 2022, p 9; ACCC, *Inquiry into the National Electricity Market [Appendix D – Supplementary Excel spreadsheet with cost stack data and charts]*, November 2022, supplementary table D10.1B.

<sup>206</sup> ACCC, *Electricity market misconduct regulation*, ACCC website, n.d., viewed 30 October 2023; ACCC, *Guidelines on Part XICA – Prohibited conduct in the energy market*, 2020. Part XICA of the Competition and Consumer Act was introduced by the *Treasury Laws Amendment (Prohibiting Energy Market Misconduct) Act 2019*.

<sup>207</sup> AER, *State of the energy market 2022*, 2022, pp 178, 181–183. In its latest report, the AER only provided an analysis of the composition of a residential gas bill (AER, *State of the energy market 2023*, 2023, p 223).

<sup>208</sup> AEMC, *Residential Electricity Price Trends 2021* [final report], 2021, pp i, 8. The AEMC's representative consumer in SEQ has an annual consumption of 5,240 kWh. The AEMC delayed the publication of its next report to late 2024 (AEMC, *AEMC Residential*

## 8.4 Spread of prices in the market

In competitive markets, firms may use a market segmentation strategy to compete for customers. This can include charging higher prices to customers who are less price-sensitive and/or less active in the market, to be able to compete for more price-sensitive and/or more active customers with lower prices—examples include lower movie ticket prices for students and pensioners, and varying prices for customers booking hotel rooms or airline tickets. Such price discrimination enhances overall consumer welfare, as the lower prices approach marginal cost and output increases relative to a situation with a single average price that applies to all customers. Price discrimination in retail markets is generally considered to be welfare-enhancing.<sup>209</sup>

Price differences can accelerate competition, as they provide an incentive for customers to shop around, given the potential savings that can be realised. A range of prices may also reflect the variation in service and product offerings, and the different price strategies retailers use to recover their costs.<sup>210</sup> In the long run, a decrease in price dispersion would therefore likely result in lower customer engagement and a reduction in the share of active customers, which could in turn lead to less competition in the market.<sup>211</sup>

We consider price dispersion to be an expected outcome in the SEQ retail electricity market, as retailers try to attract new and price-sensitive customers with lower market offers, while earning more from those customers that are not engaged or less active in the market and/or are less price-sensitive and remain on more expensive market or standing offers.<sup>212</sup> A range of offers also gives customers the opportunity to find the ideal plan for their circumstances, including their individual consumption.

To assess the extent of the price spread, or price dispersion, in the SEQ retail electricity market we use annual bills (from chapter 2 and appendix C). As in previous years, we calculate the spread as the difference between the average standing offer bill and the average lowest market offer bill for the typical SEQ customer on a residential or small business flat rate tariff.<sup>213</sup> Figure 28 shows the price dispersion in the SEQ retail electricity market since the September quarter of 2015.

Between 2015–16 and 2018–19, price dispersion gradually increased. Following the introduction of the DMO, standing offer bills decreased in the September quarter of 2019, which resulted in a sharp decline in price dispersion. Price dispersion trended upwards again during 2019–20 and 2020–21 as the lowest market offer bills continued to decrease. This trend reversed in 2021–22 when market offer bills started to increase, while increases in standing offer bills were limited by the DMO, which serves as a price cap.

In 2022–23, price dispersion decreased significantly as increased wholesale energy costs started to flow through to market offer prices, whereas standing offer prices remained capped by the

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[Electricity Price Trends report to be published in mid-2023](#) [media release], 1 December 2022, viewed 31 October 2023; AEMC, [Update on residential electricity prices report](#) [media release], 20 July 2023, viewed 31 October 2023).

<sup>209</sup> T Nelson, E McCracken-Hewson, P Whish-Wilson and S Bashir, 'Price dispersion in Australian retail electricity markets', *Energy Economics*, vol. 70, 2018, p 158. However, we acknowledge that many people consider such a pricing strategy as unfair or inappropriate in the case of electricity, because it is an essential service with traditionally little product differentiation (IPART, [Monitoring the NSW energy retail markets 2021–22](#) [draft report], 2022, p 20).

<sup>210</sup> IPART, [Monitoring the NSW electricity retail market 2020–21](#) [final report], 2021, p 2.

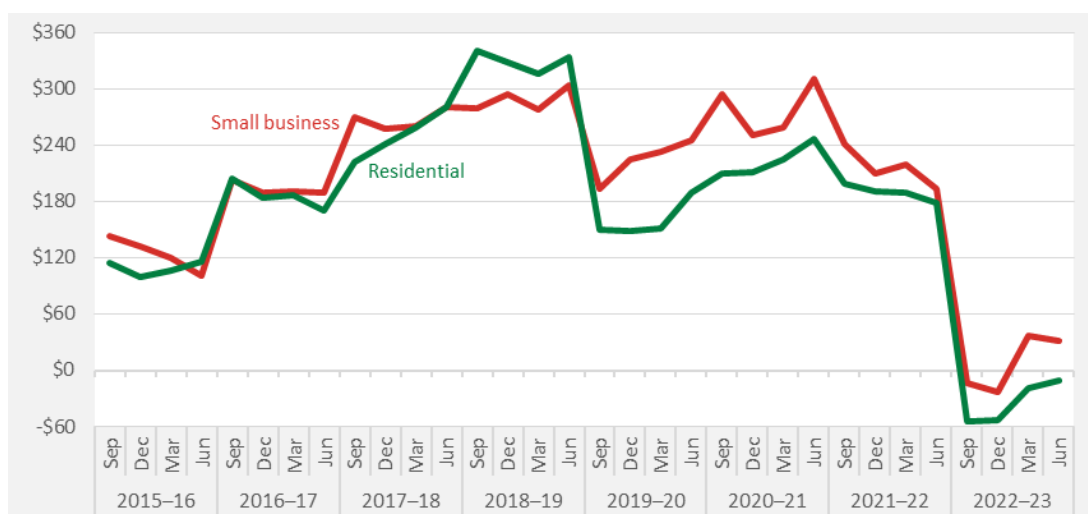
<sup>211</sup> AEMC, [Advice to COAG Energy Council: Customer and competition impacts of a default offer](#) [final report], 2018, pp v, viii. Similarly, IPART noted in late 2022 that the difference between retailers' lowest market offer and their standing offer had narrowed significantly, and if this continued, it would likely affect the switching rate patterns going forward (IPART, [Monitoring NSW energy retail markets 2021–22](#) [final report], 2022, p 55).

<sup>212</sup> The Public Interest Advocacy Centre (PIAC) referred to the spread of prices as a 'subsidy' between consumers (PIAC, [submission to DISER, Competition and Consumer \(Industry Code – Electricity Retail\) Regulations 2019](#) [Post-Implementation Review], 11 October 2021, p 3).

<sup>213</sup> The spread of the other tariffs and tariff combinations we cover in this report was very similar.

DMO that had been set in May 2022. Market offer prices often exceeded standing offer prices in 2022–23, which suggests that some retailers did not compete for customers by discounting their market offer prices relative to the standing offer price (DMO).

**Figure 28 Price dispersion in the SEQ retail electricity market, 2015–16 to 2022–23**



Note: The spread is based on bills for residential flat rate and small business flat rate plans and compares the average standing offer bill and the average lowest market offer bill. Bills for each quarter since 2015–16 have been recalculated using the consumption levels of the typical SEQ customer and are expressed in nominal dollars (Table 2). Sources: Energy Made Easy; QCA analysis—see chapter 2 and appendix C.

It is important to keep in mind that the price dispersion reported in this section compares average standing offer bills and average lowest market offer bills. Bills often varied greatly in each quarter. In particular, we observed some very expensive market offers published on Energy Made Easy in late 2021–22 and during 2022–23. Similarly, Energy Consumers Australia observed an occurrence of extreme outliers, which were typically small retailers with very high price increases.<sup>214</sup>

Energy Consumers Australia noted that the difference between the lowest and highest annual bill increased substantially due to the emergence of extreme outlier plans at the upper end of the price spectrum. In the past, a high price spread was generally seen as an indication of a higher level of competition, because the outliers were typically at the lower end of the price spectrum. More recently, however, the difference was mostly caused by outliers at the higher end of the price spectrum—that is, by retailers who were ‘seemingly pricing themselves out of the market’.<sup>215</sup>

The literature shows that the use of advertised prices can lead to an overestimation of price dispersion, as it is likely that not all the higher-priced plans are taken up by customers.<sup>216</sup> Basing our analysis on the absolute minimum and maximum bill (the cheapest and the most expensive plans published each quarter) would have resulted in a much wider price spread. However, we consider that such an approach could potentially produce misleading results due to the direct influence of outliers.<sup>217</sup> While the presence of such expensive plans may encourage customers to shop around to save, we consider it unlikely that customers deliberately switch to such plans.

<sup>214</sup> Energy Consumers Australia, *Analysis of small business retail energy bills in Australia* [final report, prepared by Alviss Consulting, with Energy Consumers Australia], December 2022, p 10.

<sup>215</sup> Energy Consumers Australia, *Analysis of small business retail energy bills in Australia* [final report, prepared by Alviss Consulting, with Energy Consumers Australia], December 2022, p 7.

<sup>216</sup> A Ghose and Y Yao, 'Using transaction prices to re-examine price dispersion in electronic markets', *Information Systems Research*, [articles in advance], 1 February 2010, pp 1–2, 20.

<sup>217</sup> We acknowledge that outliers also impact on average bills, as individual very high bills increase the average.

## 8.5 Inactive or disengaged customers

Our findings in section 8.2.3 show that many customers do not switch retailers regularly. In the June quarter of 2022, the switching rate in SEQ increased considerably and then decreased again in the first three quarters of 2022–23. Overall, less than one in five SEQ customers switched retailers over the course of 2022–23 (Figure 21).

Competition works when consumers can (and do) pick the best plan and switch when a better one becomes available, but evidence—including our own findings—suggests that this is often not the case. This may, in part, be due to inattention, complexity of information and low levels of trust and confidence.<sup>218</sup> Among the approximately four out of five SEQ customers who did not switch in 2022–23, there may also be some customers who are not interested in actively shopping around and switching when a better plan becomes available, because they:

- are willing to pay higher prices, as they value the benefits they receive on their electricity plan (e.g. no late payment fees or the plan being easy to understand)
- feel that the benefits of shopping around do not outweigh the costs (e.g. the time it takes to search, compare and switch)
- are not very price-sensitive
- are, for a range of reasons, vulnerable and require targeted assistance to manage their electricity plan.<sup>219</sup>

Similarly, the ESC noted that about half of all customers were not on their retailer’s best plan, even though retailers are obliged to tell customers on the front page of the bill whether they are on the best energy plan and how much they could save by switching.<sup>220</sup> The ESC provides several reasons for this finding, which are likely to apply to SEQ customers too:

- Some customers do not look at their bill—especially customers who choose to pay their bills automatically via direct debit (who may not look at their bill and see the relevant information).
- Bill information can be complex—some customers find it difficult to see and understand the relevant information on their bill and what action to take to switch.
- The cost of switching is perceived to be high—some customers may decide that the potential savings do not outweigh the actual or perceived costs of switching (time, effort and exit fees).
- Energy bills have a low priority for many—research showed that customers’ top priorities were mortgage and rent, followed by household essentials and lifestyle expenses (such as food, transportation and entertainment), while energy bills were less of a focus.
- Consumers are risk-averse—some customers may avoid change and prefer a higher expected bill with more certainty over a lower expected bill with more variability.
- There are other excluded benefits—the best plan does not take into account certain incentives and may have conditions attached (e.g. paperless bills or direct debit payment).<sup>221</sup>

Government and regulatory agencies have taken various steps to promote customer engagement and switching. For example, the AER recently released its Better Bills Guideline to help customers

<sup>218</sup> Behavioural Insights Team, *Testing comprehension of the reference price* [final report prepared for the AER and ACCC], 2020, p 8.

<sup>219</sup> QCA, *SEQ retail electricity market monitoring 2019–20*, 2020, p 159.

<sup>220</sup> A similar rule came into effect in the rest of the NEM on 30 September 2023. An amendment to the AER’s Better Bills Guideline requires retailers to include a ‘better offer’ statement on the front page of the bill to let customers know if the retailer can offer a better deal and how to switch plans (AER, *Energy bills simplified for consumers* [news release], 28 September 2023).

<sup>221</sup> ESC, *Victorian Energy Market Report*, 2023, pp 7–9.

understand their energy usage and costs, and to find the best energy deal with their retailer.<sup>222</sup> Despite these efforts, some customers will still not engage with the market and will continue to pay more for electricity than they need to. While not switching retailers or plans may be a rational choice for some customers, for other customers, the complexity and the lack of knowledge of the market may prevent them from fully benefiting from competition.

## 8.6 Complexity of the market

Markets are usually more competitive when they are transparent, offerings are easy to understand and compare, and it is easy to switch between competitors. In the retail electricity market, this means that customers should be able to easily compare plans and at any time switch to the retailer with the plan that best suits their current circumstances. If customers find the process of navigating the market, comparing plans and switching overly complex, competition might not be working as effectively as it should, and customers may not be on the best plan for their circumstances.

In an effectively functioning competitive market we would expect that consumers' confidence in their ability to make the right decisions increases over time as they become more familiar with the market and find it easier to access the right information to make informed decisions. As consumers' confidence in the market increases, they are more likely to engage with the market, which promotes competition and efficient outcomes.<sup>223</sup> For residential customers in SEQ, Energy Consumer Australia's energy consumer sentiment survey for June 2023 found that:

- almost 7 out of 10 customers (69%) rated their confidence in the ability to make choices about energy products and services (e.g. which plan or supplier to choose) as positive
- nearly two-thirds (64%) rated their satisfaction with the level of competition (e.g. range of choices or number of potential suppliers) as positive
- 6 out of 10 customers (60%) rated their confidence as positive that there was enough easily understood information available (e.g. on the internet, through energy comparison websites or elsewhere) to make decisions about energy products and services.<sup>224</sup>

While over half of the SEQ customers expressed confidence in their own abilities and in the market, it still means that many customers do not have that same confidence. In fact, it has often been stated in recent years that customers find it challenging to compare numerous retail electricity plans and retailers and choose the best plan. Although customers still had the potential to save in 2022–23 by switching if a cheaper plan became available (chapter 2), switching rates (section 8.2.3) suggest that many SEQ customers did not switch retailers. There may be multiple explanations why customers do not switch to a cheaper plan, but we consider that the complexity of the market may be a contributing factor in some circumstances.

The AER was of the view that retailers have added to the complexity by adopting marketing strategies that make it difficult for customers to directly compare plans, with customer surveys regularly reporting that customers find the energy market difficult to navigate.<sup>225</sup> 'Confusion is creeping back in' another stakeholder observed.<sup>226</sup> Consumer advocacy groups have even

<sup>222</sup> AER, *Energy bills simplified for consumers* [news release], 28 September 2023.

<sup>223</sup> The AEMC considered consumer protections as an important factor in promoting and maintaining consumer confidence in retail energy markets (AEMC, *Applying the energy market objectives*, 2019, p 9).

<sup>224</sup> Energy Consumers Australia, *Energy Consumer Sentiment Survey – Household Topline Results*, June 2023, pp 13, 24. A positive rating means a rating between 7 and 10 (out of 10).

<sup>225</sup> AER, *State of the energy market 2022*, 2022, p 207.

<sup>226</sup> G Dufty of the St Vincent de Paul Society, quoted in A Bainbridge, 'Electricity prices have dropped. Here's why, and how to save even more on your power bills', *ABC news*, 19 January 2022, viewed 13 October 2022.

described the retail energy market as a 'confusopoly'—a market where complex offers and contract conditions have failed to facilitate informed choices by consumers.<sup>227</sup> The comments made in the context of an analysis of consumer engagement in Victoria's retail electricity market echo these sentiments:

However, as the retail electricity market matured it became more difficult for consumers to navigate. Retailers' business strategies evolved to embody deliberately confusing marketing practices triggering a proliferation in the number and complexity of products, greater price dispersion and opaque discounting strategies. This has resulted in extensive price discrimination among different types of consumers.<sup>228</sup>

We consider that the following challenges we highlighted in our previous report still applied in 2022–23 and were likely to add complexity for many customers.<sup>229</sup>

### 8.6.1 Choosing between retailers and plans

Trying to assess which plan is the best one given their individual electricity consumption profile and other circumstances might have been a complex and confusing task for customers, because:

- various retailers were active in the market (despite a reduction in their number in 2022–23)
- numerous plans were available over the course of the year, even from the same retailer
- some plans had access restrictions (e.g. only customers with a smart meter) and/or eligibility criteria (e.g. customers with a seniors card or members of an organisation)
- different types of plans were available (e.g. plans with a flat rate tariff, with controlled load(s), with demand charges, time-of-use tariffs, wide inclining fixed tariffs and many more)<sup>230</sup>
- different price components had to be considered—supply and usage charges, and sometimes demand charges, time-varying charges or other charges depending on the type of plan—that are not always straightforward to compare
- some plans may be bundled with other products like internet or gas, or come with solar or battery options that require an upfront investment
- more 'innovative' energy plans, including plans based on cost-reflective network tariffs, are often more difficult to understand and compare (for example, Energy Made Easy cannot provide a bill estimate for plans with demand charges).

Consumers should be able to compare energy retailers and plans easily to encourage 'competition by comparison'. Research showed that where consumers are not able to identify and choose services based on service quality levels, businesses do not face competitive pressure to improve their products or services.<sup>231</sup>

### 8.6.2 Fees, discounts and incentives

Retail electricity plans may include discounts and incentives (chapter 3) as well as fees and charges (chapter 4). Customers need to bear in mind that:

<sup>227</sup> See, for example, Energy Consumers Australia, [submission to the AEMC, National Energy Retail Amendment \(Regulating conditional discounting\) Rule](#) [consultation paper], 23 September 2019, p 2, and Public Interest Advocacy Centre, [submission to the Standing Committee on Economics, Inquiry into impediments to business investment](#), 11 May 2018, p 2.

<sup>228</sup> A O'Keefe and D Wong, 'Money left on the table or rational inertia? Consumer engagement in Victoria's retail electricity sector', *Victoria's Economic Bulletin*, vol. 3, April 2019, p 2.

<sup>229</sup> QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, pp 140–146.

<sup>230</sup> For more information on these tariffs, see Energex, *Energex Network Tariff Guide, 1 July 2022 to 30 June 2023*, 2022.

<sup>231</sup> AER, *Consumer Vulnerability Strategy* [draft for consultation], 2021, p 32; AER, *Towards energy equity — A strategy for an inclusive energy market* [supporting document], 2022, p 22; Consumer Policy Research Centre, *Picking Peaches: Service Quality in the Victorian Energy Market – a summary report*, 2020, pp 2, 6.

- discounts and incentives may be subject to eligibility criteria and terms and conditions (e.g. paying on time, using a certain payment method, being a new customer, signing up via a third party, or it only being available in the first year of the contract)
- discounts can be guaranteed or conditional, and off the total bill or off usage charges only
- the percentage difference to the reference price in electricity advertisements is not a discount, but a comparison of the price of a market offer to the DMO reference price<sup>232</sup>
- savings from discounts depend on the customer's consumption—a plan with a lower discount off the bill may result in a lower bill than a plan with a high discount off usage charges
- financial incentives directly impact the bill, but may only be a one-off to entice customers to switch retailers
- non-financial incentives do not affect the bill value but can provide benefits and value to a customer in ways that are not always easy to quantify and compare for customers
- several fees and charges may apply cumulatively (e.g. fees for a paper bill, card payment processing and late payment)
- some retailers attach fees that 'may apply' to some or all of their plans.

While discounts and incentives can provide value, various product offerings may indicate that retailers apply strategies to make the market unnecessarily complex and confusing. Instead of offering a better price, Alvis Consulting and St Vincent de Paul Society noted that 'consumers are asked to consider the value of an eGift Card compared to an account credit, whether a free St Kilda guernsey is more valuable than a \$100 prepaid digital Mastercard etc.'<sup>233</sup>

We note that discounts have generally become less common, and fewer plans had conditional discounts attached than in the past (chapter 3). However, we consider that it remains challenging for customers to assess the value of savings available on plans with conditional discounts and/or financial or non-financial incentives attached. In addition, fees and charges have the potential to increase the overall costs to customers.

### 8.6.3 Comparison sites

Comparison sites generally only compare 'traditional' plans. For some newer plans such as plans that include demand charges, comparison sites do not provide a bill estimate and advise customers to contact the respective retailer for demand pricing details, or merely say that a demand charge may apply that is not included in the cost estimations and plan rankings.<sup>234</sup> Customers will therefore not get a fulsome comparison of electricity plans on comparison sites.

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<sup>232</sup> The DMO reference bill is based on a 'representative customer' with a specific annual usage. Retailers are required to compare their market offer price (expressed as an annual bill based on the same annual usage) with the DMO reference bill. This annual usage level is likely to differ from a customer's actual annual usage (consumption). See also ACCC, *Guide to the Electricity Retail Code* [version 3], 2021, p 31. In addition, the interchanging use of the terms 'DMO' and 'reference price' may cause further confusion for customers (Simply Energy, *submission to DISER, Competition and Consumer (Industry Code – Electricity Retail) Regulations 2019* [Post-Implementation Review], 11 October 2021, p 2).

<sup>233</sup> Alvis Consulting and St Vincent de Paul Society, *The NEM – Lower prices, more offers: Are consumers reaping the rewards? Observations from the Vinnies' Tariff-Tracking Project*, 2021, p 39.

<sup>234</sup> For plans with demand charges (available to customers with a smart meter only), the search results on Energy Made Easy included a bill value, but customers were advised that '[a]dditional recurring charges will increase this cost'. Further explanations clarified that the 'demand charge is an additional charge that does not appear in the Energy Made Easy price estimate. To find out how a demand charge is calculated and how it may affect you, please contact your retailer' (Australian Government, *Energy Made Easy*, [energymadeeasy.gov.au](http://energymadeeasy.gov.au), n.d., viewed 5 October 2023). Similar notifications were included on commercial sites. iSelect, for example, stated that 'A Demand Charge may apply to some electricity plans and is not calculated in the cost estimations and plan rankings below' (iSelect, *Electricity & Gas Comparison*, iSelect website, n.d., viewed 5 October 2023).

Customers also need to be aware that most commercial comparison sites work on commissions-based arrangements with a limited number of retailers only (some more than others). This means that customers may not find certain retailers, and even certain plans of affiliated retailers, when they use commercial comparison sites. Customers could therefore miss out on the cheapest plans that are currently available in the market if they rely on commercial comparison sites.

Energy Made Easy is a free energy price comparison service that is independent of commercial third parties and includes all generally available offers in the market.<sup>235</sup> The availability of all plans is one of its key advantages over commercial sites, which are not required to continually publish all available plans from all retailers. We consider Energy Made Easy is the best and most reliable tool for SEQ customers to analyse, compare and select from all the available plans in the market.

#### 8.6.4 Customers experiencing vulnerability

Customers who regularly compare plans and switch if a better plan becomes available are the ones who benefit the most from competition in the retail electricity market. Unfortunately, some customers find it more difficult to navigate the retail electricity market due to language barriers, cultural issues, disabilities, low levels of numeracy and literacy and lack of internet access, which are just some of the issues that can constrain a customer's ability to engage with a market.<sup>236</sup>

The AER is prioritising the protection of consumers experiencing vulnerability and published a consumer vulnerability strategy in October 2022.<sup>237</sup> It also based research on a community of consumers with lived experience of vulnerability in the energy market. The AER's work highlights several factors that may inhibit consumers experiencing vulnerability from switching retailers:

- complexity of the energy market due to the number of energy retailers, and the frequency of discounted offers and complex packages
- mistrust of retailers due to a lack of transparency and feeling that energy retailers prioritise 'winning new customers', rather than the needs of existing customers
- difficulty interacting with retailers due to call centre wait times, gaining access to someone who can resolve an issue, a perceived lack of care and empathy by retailers, and feelings that staff are ineffectual and focus only on rectifying payments
- a tendency to wait for the contract to end, as few consumers have the confidence, and most are unlikely to switch, even at the right price
- retailers are seen as the last resort for help and are only contacted once bills become insurmountable.<sup>238</sup>

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<sup>235</sup> AER, *AER Retail Pricing Information Guidelines* [version 5.0], 2018, pp 8–14, clauses 19–69. As we noted previously, it is also important to keep in mind that commercial comparison websites may include incomplete and/or outdated information on the SEQ (and regional Queensland) retail electricity markets (QCA, *SEQ retail electricity market monitoring 2019–20*, 2020, p 155).

<sup>236</sup> ACCC, *Restoring electricity affordability and Australia's competitive advantage* [final report], 2018, p 291. The AER noted the lack of a uniformly accepted definition of consumers experiencing vulnerability, and was mindful that labels like 'vulnerable' could stigmatise the people it is trying to support or imply that their disadvantage is due to their own personal characteristics or failings. It therefore rather uses the term 'vulnerable' to refer to an experience that consumers may have within the energy sector in their lives (AER, *Towards energy equity — A strategy for an inclusive energy market*, 2022, pp 4, 13). Moreover, it has been suggested that the definition of 'vulnerable' should be widened to include groups such as victims of domestic violence, people with mental health problems, and those who struggle with literacy (D Mercer, 'Australian Energy Regulator calls for reform as power bills continue to rise', *ABC news*, 20 October 2022, viewed 5 October 2023).

<sup>237</sup> AER, *Towards energy equity — A strategy for an inclusive energy market*, 2022.

<sup>238</sup> ACCC, *Inquiry into the National Electricity Market*, June 2023, pp 60–61.



The AER observed consistently poor outcomes for consumers experiencing vulnerability and systemic challenges in supporting these customers. In its strategy for an inclusive energy market, the AER set out a number of objectives and actions to deliver improvements for consumers. One of these actions calls for sector-wide ‘game changer’ reforms, so that consumers experiencing vulnerability are identified early and get the support they need to improve outcomes. In collaboration with stakeholders from across the energy sector, the AER designed a package of solutions and reforms, which was presented to Energy Ministers in November 2023. The Energy and Climate Change Council has decided to take the game changer package forward for further analysis and policy development. The key proposals in this package focus on:

- concessions and rebates—systems should be upgraded and improved to ensure that more consumers receive the concessions and rebates they are entitled to
- better offer—retailers should be required to automatically place consumers in hardship programs on a better plan (if one is available)
- financial counselling—customers’ access to financial counselling support should be improved by building on the existing Financial Counselling Industry Funding Model by the Department of Social Services
- debt relief and energy efficiency improvements through a shared funding pool—retailers demonstrating best-practice support for customers should have access to co-funding from a shared funding pool to deliver increased debt relief and improved access to energy efficiency improvements for consumers in financial hardship.<sup>239</sup>

Energy Ministers agreed that the Commonwealth would lead other jurisdictional officials in the further consideration and development of the game changer ideas, and that they would propose an implementation plan for feasible reforms to Ministers in mid-2024.<sup>240</sup>

We remain of the view that targeted assistance for customers experiencing vulnerability is critical to ensure such customers can, and do, benefit from competition and access the best plan for their circumstances. This is particularly important in the current environment of higher retail electricity prices (see chapters 2 and 9), because energy bills are likely to put disproportionately more financial pressure on customers experiencing vulnerability.

### 8.6.5 Electricity bills

Electricity bills contain key information such as a customer’s energy consumption, and the supply and usage charges (and any other charges) of their current plan. This information can help customers compare their current plan to other available plans. However, retailers sometimes use different terminologies—for example, the supply charge may be called ‘(daily) fixed charge’ or ‘service charge’ or be referred to by a different term. This makes it more difficult to compare plans.

The AER noted that consistent use of language in consumer and marketing communications can improve consumer comprehension. Over time, greater familiarity with this language would reduce the cognitive burden required to engage with documents, which in turn would improve attention and retention and promote confidence.<sup>241</sup> In March 2022, the AER published its Better Bills Guideline and explained that the requirements of this guideline are intended to:

<sup>239</sup> AER, *Game changer reforms*, AER website, n.d., viewed 28 November 2023; AER, *Towards energy equity*, AER website, n.d., viewed 28 November 2023. The key proposals are outlined in more detail in AER, *Game Changer—A package of reforms to improve outcomes for consumers in energy hardship*, 2023, pp 18–34.

<sup>240</sup> AER, *Game changer reforms*, AER website, n.d., viewed 28 November 2023.

<sup>241</sup> AER, *Notice of Draft Instrument: Draft AER Better Bills Guideline*, 2021, p 25.

- simplify energy bills and make them easier for consumers to understand
- strengthen the ability of consumers to make informed decisions in their best interests
- enable innovation and promote effective competition
- simplify the regulatory framework to reduce retailers' costs to serve customers.<sup>242</sup>

Among other requirements, the AER requires retailers to use simple language, terminology and grammar when providing unique product descriptions, and to avoid uncommon terminology. Although a consistent use of language in consumer and marketing communications can improve customer comprehension, the AER does not require standardised language, beyond the 'better offer' statement, which retailers are required to include on the bill to let customers know if the retailer has a better plan and how customers can switch plans.<sup>243</sup> However, the AER recommends that retailers consider consistency of terms in bills with terms used in other energy-related communications, so as to prioritise customer comprehension and literacy of the energy market.<sup>244</sup>

### 8.6.6 Variety of tariff structures

The variety and complexity of tariff structures may complicate bills, decrease customers' understanding and lower their engagement. Although the number of retailers has reduced, there are still numerous types of plans and tariffs due to distributors and retailers 'implementing a multitude of different fixed and variable tariffs'. In addition, retailers continue to create new names for tariffs, which leads to more confusion and potentially misinformation.<sup>245</sup>

The AER was also of the view that market developments—such as the rollout of smart metering and cost-reflective tariffs—were adding additional layers of complexity to the market. Customers can find it difficult to compare plans or understand the risks and benefits of different pricing structures, which can cause them to disengage from the market.<sup>246</sup> We also note that comparison sites generally do not provide bill estimates for plans with such tariff structures.

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<sup>242</sup> AER, *Better Bills Guideline*, 2022; AER, *Notice of Instrument: Better Bills Guideline*, 2022, p 1. The AEMC made a final rule in October 2022 to give retailers more time to comply with the new provisions in the AER's Better Billing guideline, changing the implementation date for those new provisions from 31 March 2023 to 30 September 2023 (AEMC, *Delaying implementation of the AER Billing guideline*, n.d., AEMC website, viewed 11 October 2023).

<sup>243</sup> AER, *Energy bills simplified for consumers* [news release], 28 September 2023.

<sup>244</sup> AER, *Notice of Instrument: Better Bills Guideline*, 2022, pp 14–15.

<sup>245</sup> Accurassi, *submission to the AER, Better bills guideline* [consultation paper], 22 September 2021, pp 2–3, 6.

<sup>246</sup> AER, *State of the energy market 2022*, 2022, pp 206–207; AER, *State of the energy market 2023*, 2023, pp 9, 249.

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## 9 SIGNIFICANT ISSUES

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### Key findings

We identified two significant issues in the SEQ retail electricity market during 2022–23.

#### More customers on retail demand tariffs

- The number of residential customers on retail demand tariffs is increasing. At the network level, demand tariffs are the default tariff for smart meter customers in SEQ.
- Retail demand tariffs are more complex and less intuitive for consumers to understand than standard flat rate or time-of-use tariffs. Understanding how demand charges are presented and calculated can significantly impact a customer's ability to compare demand tariff plans.
- We have identified some consumer issues that, if addressed, may assist market participants to fully realise the benefits associated with demand tariffs.

#### High wholesale energy costs

- A range of international and domestic factors contributed to upward pressure on wholesale energy costs in Queensland in the June quarter of 2022. The increase in wholesale energy costs resulted in substantial increases to retail electricity prices.
- Wholesale energy costs decreased significantly in the September and December quarters of 2023, but retail electricity prices remained elevated.
- Retailers often use financial instruments to lock in prices for electricity in the future. This results in a delay between movements in wholesale energy costs and their effect on the retail prices customers pay.

### 9.1 Demand tariffs

In our 2020–21 report, we discussed Energex's new network demand tariffs for small customers that were designed to improve cost reflectivity. These new tariffs are now the default network tariff for small customers with a smart meter. The change in default network tariffs, together with the continuing rollout of smart meters, means that, over time, more small customers will be on these new network tariffs.

While every customer is assigned to a network tariff, retailers are not bound by the network tariffs set by Energex and can set their own retail tariffs. Nonetheless, some retailers assign smart meter customers to a retail demand tariff that is similar in structure to the underlying network demand tariff.

Retail demand tariffs are more complex and less intuitive for consumers to understand compared to standard flat rate or time-of-use tariffs. Understanding how demand charges are presented and calculated can significantly impact a customer's ability to lower bills and compare plans.

### Box 1: What are demand tariffs?

Demand refers to the amount of electricity consumed from the grid during a given period. Demand tariffs are designed to send signals to consumers to shift energy usage from peak times.

At the network level, Energex's demand tariffs impose a demand charge that is calculated based on a 30-minute period with the highest average level of demand during peak periods of network utilisation (typically 4 pm to 9 pm).

The final price charged to a customer is determined by how the retailer passes on the price signals in the network tariff in its retail offer. The predominant ways SEQ retailers package network tariffs into their retail offers are:

- insurance style offers—where the retailer faces cost-reflective network price signals but shields the customer from this price volatility, for example, by offering the customer a retail offer with a fixed daily supply charge and a flat usage charge
- pass-through offers—where the retail tariff structure is reflective of the network tariff structure, which means a customer's usage pattern, not just the amount of usage, will impact on the bill.<sup>247</sup>

#### 9.1.1 The number of customers on retail demand tariffs is increasing

The electricity sector has been undergoing substantial reforms, which are expected to have impacts on the retail electricity market environment, including on how retailers package retail electricity options for customers.

##### Smart meter rollout

The Queensland Energy and Jobs Plan, launched in September 2022, outlines how Queensland's energy system will transform to deliver clean, reliable and affordable energy. This includes a 100% smart meter target by 2030. To support this, all new and replacement electricity meters will need to be digital meters.<sup>248</sup> The share of residential customers on smart meters has been increasing steadily. In the first three quarters of 2022–23, new installations of smart meters in SEQ averaged around 25,000.<sup>249</sup>

##### SEQ network tariff reforms

The AER approves network revenues and tariffs for Energex. As part of the 2020–25 regulatory determination process, the AER approved network tariff reforms and noted:

The economic benefits of network tariff reform in Queensland are likely to be modest in the short term given the presence of excess network capacity and prospects of modest growth in peak demand. Nevertheless, we consider that the long-term interests of consumers are best served by commencing the network tariff reform process in Queensland. This is because the gradual reform of network tariffs will expose retailers to increasing volume risks over time, which will encourage retailers to develop innovative ways to mitigate these risks. For customers that prefer to remain on consumption tariffs, retailers may need to rely on demand management strategies to mitigate their exposure to commercial risk created by network tariff reform. For other customers, the pass

<sup>247</sup> AER, *Understanding the impact of network tariff reform on retail offers*, n.d, p 3.

<sup>248</sup> Queensland Government, *Queensland Energy and Jobs Plan*, Department of Energy and Public Works website, 2023, accessed 15 September 2023.

<sup>249</sup> AER, *Retail energy market performance update for Quarter 3, 2022–23* [Schedule 2], June 2023.

through of these risks in the form of highly cost reflective retail tariff structures represents an opportunity to be rewarded for actively managing their peak demand.<sup>250</sup>

The key elements of Energex's network tariff reforms were to introduce three network tariff options for residential and small business customers. The tariff options for residential customers are:

- a residential transitional demand tariff (Energex tariff code 3900)
- an optional 'standard' residential demand tariff (Energex tariff code 3700), which has a larger demand pricing signal and lower usage charges than the transitional tariff
- an optional residential time-of-use tariff (Energex tariff code 6900).

Greater uptake of these new tariffs could help reduce future expenditure on network investment, lower network costs for consumers and facilitate the efficient integration of solar PV, batteries and electric vehicles into the grid.<sup>251</sup>

The following analysis focuses on residential customers only.

#### Energex's network tariff assignment policy

Since 1 July 2021, the transitional demand tariff has been the default network tariff for new and existing smart meter customers. Customers initiating a change from a basic meter to a smart meter are immediately reassigned to a residential transitional demand tariff at the network level. Customers changing from a basic meter to a smart meter due to an end-of-life meter replacement retain access to the flat rate tariff (8400) for 12 months after the smart meter installation (unless they opt in to a demand or time-of-use tariff during the 12-month grace period).<sup>252</sup>

#### Network tariff assignment policies in other jurisdictions

Small customer tariff assignment policies vary across the 11 distribution entities in the NEM outside of Queensland. Most of these distribution entities still offer flat rate network tariffs as an option for smart meter customers:

- a flat rate network tariff is offered as an *opt-in* network tariff in 8 distribution areas (Endeavour Energy, Essential Energy, Powercor, AusNet, United Energy, CitiPower, Jemena and Aurora Energy)
- a time-of-use network tariff is the *default* in 8 distribution areas (Essential Energy, Powercor, AusNet, United Energy, CitiPower, Jemena, SA Power Networks and Aurora Energy)
- a demand network tariff is the *default* in only 3 distribution areas (AusGrid, Endeavour Energy and EvoEnergy).<sup>253</sup>

#### Increasing application of retail demand tariffs

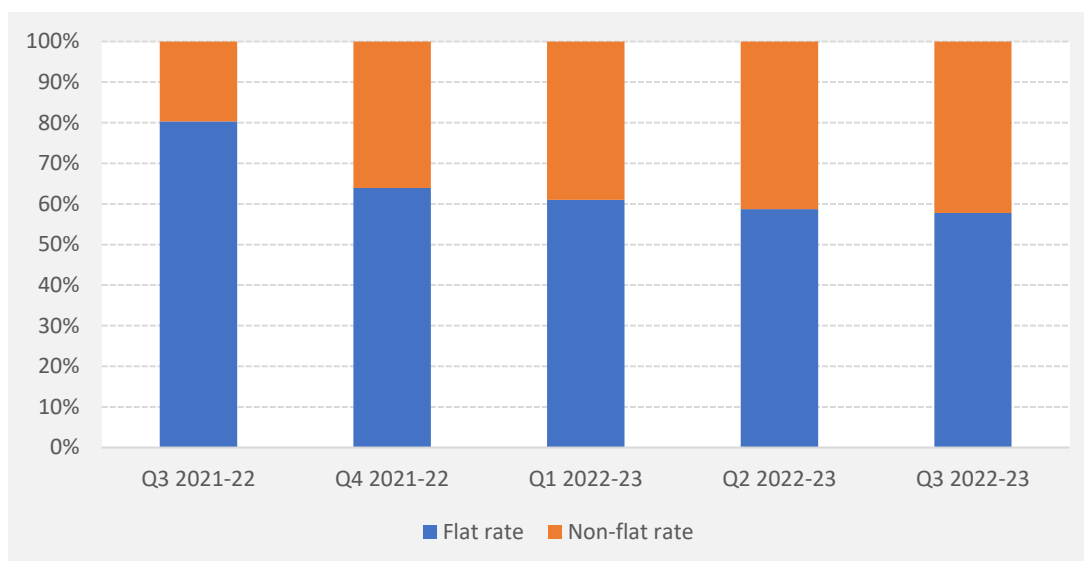
Data published by the AER shows that the proportion of residential customers with a smart meter on a flat rate tariff has decreased over time (Figure 29). This trend is expected to continue as more smart meters are rolled out. The AER does not disaggregate 'non-flat-rate' customers into demand or time-of-use tariff groups. However, as the default network tariff for smart meter customers is a demand tariff, it is likely that a majority of smart meter customers classified as 'non-flat-rate' are on a retail demand tariff.

<sup>250</sup> AER, *Ergon Energy and Energex: Distribution Determination 2020 to 2025 [final decision] — Attachment 18: Tariff Structure Statement*, 2020, p 18.

<sup>251</sup> AER, *Implementing tariff reform*, AER website, n.d., accessed 15 September 2023.

<sup>252</sup> Energex, *Energex Network Tariff Guide, 1 July 2022 to 30 June 2023*, 2022, pp 10–15.

<sup>253</sup> AER, *Pricing proposals and tariffs* [2021–22 individual distributor pricing proposals], AER website, n.d., accessed 8 November 2023.

**Figure 29 Retail tariffs—residential customers with smart meters**

Source: AER, *Retail energy market performance update for Quarter 3, 2022–23* [schedule 2], 2023, viewed 14 September 2023; QCA analysis.

It appears that the practice of many retailers has been to set default retail tariffs for smart meter customers that pass through demand charges. Analysis of plans published on Energy Made Easy and confidential retailer data provided for this report suggest that smart meter customers that desire a flat rate retail tariff have limited choice. Of the 26 retailers offering flat rate residential plans in the June quarter of 2023, only 13 retailers offered flat rate plans to smart meter customers.

Nonetheless, we consider that smart meter customers who remain engaged in the market and actively seek the best plan for their circumstances can find a retailer offering flat rate offers (if they do not wish to face the price signals associated with retail demand tariffs).

### 9.1.2 Impact of customer usage patterns on bill outcomes

Unlike bills for customers on flat rate tariffs, which are primarily driven by the amount of electricity used, the usage patterns of customers on retail demand tariffs can significantly impact bill outcomes. Customers who can shift usage outside of peak periods of network utilisation can lower their bills, while those that cannot, or are unwilling to, will face comparatively higher bills.

#### Bill analysis and observations

We have developed preliminary bill estimates, based on a sample of plans to illustrate the bill impacts of different demand levels, while holding usage constant (Table 27). This preliminary analysis focuses on the lowest residential demand market offers published by the three retailers with 91% market share of residential smart meter customers on non-flat tariffs in SEQ (AGL, EnergyAustralia and Alinta Energy) in the June quarter of 2023.<sup>254</sup>

<sup>254</sup> AER, *Retail energy market performance update for Quarter 3, 2022–23* [schedule 2], 2023, viewed 14 September 2023. Further information on the data inputs and calculation methodology is outlined in appendix B (section B.13).

**Table 27 Demand tariff bill analysis—June quarter 2023**

Retailer	0.5x median peak demand (1.94 kW)	Median peak demand (3.88 kW)	1.5x median peak demand (5.82 kW)
Alinta Energy	\$1,346	\$1,434	\$1,523
<b>Bill difference*</b>	<b>-\$88</b>	<b>—</b>	<b>+\$88</b>
AGL	\$1,098	\$1,177	\$1,257
<b>Bill difference*</b>	<b>-\$80</b>	<b>—</b>	<b>+\$80</b>
EnergyAustralia	\$1,366	\$1,450	\$1,535
<b>Bill difference*</b>	<b>-\$85</b>	<b>—</b>	<b>+\$85</b>

\* The bill difference is relative to the median peak demand bill.

Notes: The plans used in this analysis did not include any discounts or financial incentives. We used the median annual consumption of a residential flat rate customer of 4,096 kWh per year for our analysis (Table 2).

Source: Energy Made Easy; QCA analysis.

Based on this sample of plans, the annual bill impact for the median residential customer shifting their electricity usage (demand) to—or away from—the peak demand charging window is between \$80 and \$88 for the median customer. However, customers will likely only benefit from demand tariffs and lower their bills if they understand how the demand tariff works and are able to shift electricity usage outside of peak periods.

### Tariff design considerations

Demand tariffs are designed to send signals to consumers to shift energy usage away from peak periods. However, the current demand charging methodology may neutralise the incentive to curtail demand and may also result in an unbalanced distribution of financial burden on customers.

At the network level, a customer's demand charge is calculated on the single highest 30-minute period of peak demand during the billing period (typically monthly). We consider it is likely that retail demand charges are generally calculated in the same way. Therefore, once a high peak demand is reached, customers have a very weak incentive to then reduce peak demand for the rest of the billing period.

Further, customers that place a consistent level of peak demand on the network every day pay the same demand charge as a customer that places a similar peak demand on the network only once in the billing cycle. As such, we consider there are opportunities for retailers and distribution networks to refine the incentives embedded in demand tariffs, to enable the benefits associated with demand tariffs to be fully realised by customers.

## 9.1.3 Consumer issues

### Customer protections

The Electricity Retail Code is a mandatory industry code under the *Competition and Consumer Act 2010* (Cth), which outlines electricity retailer obligations in relation to price caps on standing offers and requirements on the information retailers must communicate (including price information) to small customers on flat rate or time-of-use tariffs. Residential and small business customers on a retail demand tariff do not have the same consumer protections that are offered to customers on a flat rate or time-of-use tariff.<sup>255</sup>

<sup>255</sup> [Competition and Consumer \(Industry Code—Electricity Retail\) Regulations 2019](#), Division 2, clause 6(3)(a).

As such, the information that demand tariff customers receive is largely unrestricted, compared to flat rate or time-of-use customers, as the code does not apply to retailer pricing information or communication related to demand tariff plans.<sup>256</sup> The AER also does not determine a DMO reference price for retail demand tariffs, meaning the standing offer prices for demand tariff plans are not 'capped' as they are for flat rate or time-of-use plans; and customers cannot compare retail demand tariff plans using a common reference price.

As discussed in chapter 8, customers should be able to compare electricity plans easily to encourage 'competition by comparison' between retailers. We are of the view that this disparity in consumer protections between demand and flat rate/time-of-use customers does not assist customers to easily compare and switch to plans that best suit their individual circumstances.

### Complexity of demand tariffs

Unlike flat rate plans, where usage is generally priced simply in cents per kilowatt hour, demand tariff plans are more complex for customers and less intuitive to understand. Adding to the complexity is retailers' use of numerous names to describe and calculate demand charges. The ACCC outlined that retailers apply demand charges in different ways and may calculate demand charges using:

- the highest demand in a period of time
- an average of peak demand over a period of time
- different rates for demand charges, which might be applied in different seasons.<sup>257</sup>

Consistent use of language in consumer and marketing communications can improve consumer comprehension. We consider relevant market participants should continue to refine communications materials so that they are easy to access, clearly explain how demand charges work and provide practical tips to allow customers to get the most benefit from retail demand tariff charging structures.

Comparison sites have yet to develop a consistent approach of estimating customer bills inclusive of demand charges.<sup>258</sup> As discussed in chapter 8, comparison sites generally only compare 'traditional' plans and advise customers to contact the respective retailer for demand pricing details, or merely say that a demand charge may apply that is not included in the cost estimates and plan rankings.<sup>259</sup> This makes it challenging for customers to reliably compare flat rate and demand tariff plans, or even compare two demand tariff plans.

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<sup>256</sup> ACCC, *Guide to the electricity retail code* [version 3], 2021, p 3.

<sup>257</sup> ACCC, *Inquiry into the National Electricity Market*, June 2023, p 33.

<sup>258</sup> Customers who currently have an accumulation meter or have recently upgraded to a smart meter do not have peak demand data recorded to estimate demand tariff bills.

<sup>259</sup> For plans with demand charges (available to customers with a smart meter only), the search results on Energy Made Easy included a bill value, but customers were advised that '[a]dditional recurring charges will increase this cost'. Further explanations clarified that the 'demand charge is an additional charge that does not appear in the Energy Made Easy price estimate' (Australian Government, *Energy Made Easy*, energymadeeasy.gov.au, n.d., viewed 22 September 2023). To find out how a demand charge is calculated and how it may affect customers, they were asked to contact their retailer. Similar notifications were included on commercial sites. iSelect, for example, stated that '[a] Demand Charge may apply to some electricity plans and is not calculated in the cost estimations and plan rankings below' (iSelect, *Electricity & Gas Comparison*, iSelect website, n.d., viewed 22 September 2023).



## 9.2 High wholesale energy costs

### 9.2.1 Events in 2022

Wholesale energy costs in the NEM increased substantially during the March and June quarters of 2022. Queensland was the NEM's highest-priced region by the end of 2021–22, with wholesale energy costs reaching \$344/MWh in the June quarter of 2022.<sup>260</sup> A range of international and domestic factors contributed to upward pressure on wholesale energy costs in Queensland, including a tighter supply–demand balance in Queensland, higher gas and coal prices, uncertainties faced by cap contract providers around the ability of their peaking plant to cover price spikes in the NEM under a 5-minute settlement, and weather-related high demand.

In June 2022, sustained high spot prices triggered the \$300/MWh price cap for all regions of the NEM. When generators withdrew capacity from the NEM, it caused a lack of reserve energy in the network, which—if left unchecked—could have resulted in load-shedding for customers during peak demand periods to maintain the reliability of electricity supply. AEMO suspended the spot market in all regions of the NEM between 15 and 23 June 2022, so that prices were determined according to the published market suspension pricing schedule. To maintain sufficient supply of electricity in the NEM, AEMO activated the Reliability and Emergency Reserve Trader (RERT) scheme and directed generators to supply energy into the NEM.<sup>261</sup>

Markets for electricity hedging contracts were impacted by the extreme conditions in the wholesale spot market and were highly volatile over the rest of 2022.<sup>262</sup>

### 9.2.2 Government intervention

In December 2022, the Australian Government partnered with the states and territories to introduce an Energy Price Relief Plan with measures to address high energy costs. As part of this policy, temporary price caps of \$12/GJ (gigajoule) for gas and \$125/t (tonne) for coal were implemented.<sup>263</sup> The implementation of the price caps coincided with a decline in contract prices, although prices remained elevated relative to their trading history.<sup>264</sup>

The Queensland Government allocated \$1.48 billion for additional electricity bill support to residential customers and small businesses in its 2023–24 budget. As part of this support package:

- all Queensland households will receive a \$550 cost of living rebate on electricity bills, applied as a \$137.50 credit on their quarterly bills
- vulnerable households will receive a \$700 cost of living rebate on their electricity bills; this is in addition to the existing \$372 under the Queensland Electricity Rebate Scheme, bringing total rebates for this group to \$1,072
- 205,000 eligible small businesses will receive a \$650 rebate on their electricity bills.<sup>265</sup>

<sup>260</sup> AER, *State of the energy market 2022*, 2022, p 19.

<sup>261</sup> Further information can be found in QCA, *SEQ retail electricity market monitoring 2021–22*, 2022, pp 147–150.

<sup>262</sup> ACCC, *Inquiry into the National Electricity Market*, June 2023, p 13.

<sup>263</sup> Australian Government, *Energy Price Relief Plan*, energy.gov.au, 2023, accessed 5 September 2023.

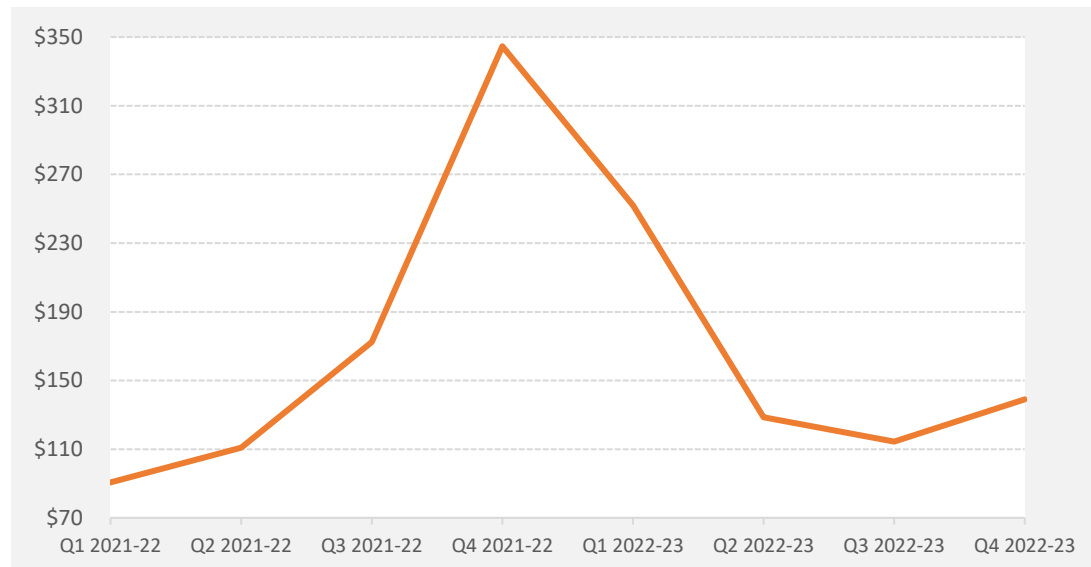
<sup>264</sup> AEMO, *Quarterly energy dynamics Q2 2022–23*, 2023, p 4.

<sup>265</sup> Queensland Government, *Energy bill relief—Tackling the cost of living*, Queensland Treasury website, updated 13 June 2023, accessed 5 September 2023.

### 9.2.3 Recent movements in wholesale energy costs

Following the events in the first half of 2022, the market stabilised in the second half of 2022, with wholesale energy costs decreasing sharply—a trend that continued into the early months of 2023 (Figure 30).

**Figure 30 Queensland wholesale energy costs, 2021–22 and 2022–23**



Source: *OpenNEM*; QCA analysis.

The decrease in wholesale energy cost was driven by several factors, including:

- lower demand—mild spring weather that extended into December 2022, coupled with strong rooftop solar output, contributed to record low NEM demand
- higher renewable generation—high solar and wind output replaced traditional coal and gas generation and set spot prices more often, resulting in a record number of negative prices in the September quarter of 2022 (mainly during the day)
- Queensland liquified natural gas (LNG) exports decreased—exports fell to the lowest level since the September quarter of 2018, easing pressure on domestic gas spot prices<sup>266</sup>
- coal output increased—black coal generators in New South Wales and Queensland offered more total capacity into the market, most of which was offered at lower prices including significant increases in negative price offers.<sup>267</sup>

### 9.2.4 Impact of wholesale energy costs on retail electricity prices

Retail energy prices primarily comprise network costs, retail costs and energy costs. Wholesale energy costs are an important driver of retail electricity prices contributing, on average, 28% to the total average cost per residential consumer.<sup>268</sup>

Despite the stabilisation of the electricity market and wholesale energy costs decreasing from the September quarter of 2022, retail bills increased significantly in 2022–23. As discussed in chapter 2, from the June quarter of 2022 to the June quarter of 2023, the average residential and small business market offer bills increased by 24.2% and 26.5% respectively. This is because retailers use financial instruments to lock in prices for electricity in the future (referred to as

<sup>266</sup> AEMO, *Wholesale markets quarterly Q4 2022* [October–December], 2023, p 1.

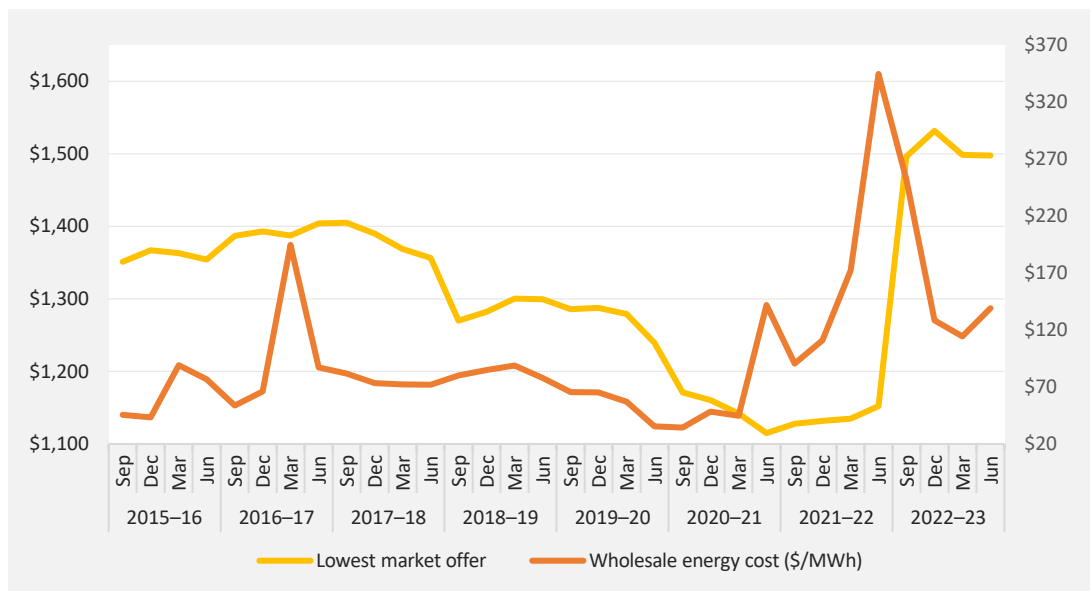
<sup>267</sup> AEMO, *Wholesale markets quarterly Q1 2023* [January–March], 2023, p 7.

<sup>268</sup> The ACCC's latest data was for 2021–22 (ACCC, *Inquiry into the National Electricity Market*, November 2022, p 72).

hedging), which results in a delay between movements in spot and wholesale energy costs and their effect on retail prices customers pay.

As illustrated in Figure 31, there was an observable lag between the spike in wholesale energy costs (right axis) in the June quarter of 2022 and the increase in retail bills (left axis) in the September quarter of 2022.

**Figure 31 Comparison of average lowest residential market offer annual bills and wholesale energy costs, 2015–16 to 2022–23**



Note: Bills and wholesale energy costs are in nominal dollars.

Sources: OpenNEM; EnergyMadeEasy; QCA analysis.

If wholesale energy costs decrease and remain stable, it can be assumed that this will also serve to decrease contract prices, which should eventually flow through to retail prices. When this decrease will happen, or how big the decrease will be, is challenging to predict, as it depends upon various supply and demand variables.

### 9.3 Key considerations for customers

In the presence of increasing complexity in tariff offerings and cost pressures, consumers should:

- seek out as much information as possible about the plans that are available to them, the specific charges and how to reduce demand charges
- consider whether remaining on a demand tariff is financially beneficial if they are unable or unwilling to shift their consumption away from peak periods
- actively engage with the energy market, because active customers are likely to pay less than inactive or disengaged customers
- compare retail electricity plans by using the AER's Energy Made Easy website, which provides bill estimates for a range of flat rate and time-of-use tariff plans based on a customer's consumption.

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## GLOSSARY

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ABC	Australian Broadcasting Corporation
ABN	Australian Business Number
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ADM	advanced digital metering
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
AGA	Allianz Global Assistance
Amex	American Express
BCNA	Breast Cancer Network Australia
BETA	Behavioural Economics Team of the Australian Government
CER	consumer energy resources
c/kWh	cents per kilowatt hour
CL	controlled load
COAG	Council of Australian Governments
covid-19	coronavirus disease of 2019
Cth	Commonwealth
CTL Load	controlled load
DiscoF	disconnection fee
DiscoFMO	disconnection fee for moving out
DiscoFNP	disconnection fee for non-payment
DISER	Australian Government Department of Industry, Science, Energy and Resources
DMO	default market offer
Electricity Retail Regulations	Competition and Consumer (Industry Code—Electricity Retail) Regulations 2019 (Cth)
ESC	Essential Services Commission (Victoria)
EHA	Emergency Home Assistance
EV	electric vehicle
FCA	Federal Court of Australia
GJ	gigajoule
GST	goods and services tax
HEEAS	Home Energy Emergency Assistance Scheme (Queensland)
HHI	Herfindahl-Hirschman Index
IPART	Independent Pricing and Regulatory Tribunal (NSW)
kWh	kilowatt hours
LNG	liquefied natural gas
LPG	liquefied petroleum gas
Minister	Minister for Energy, Renewables and Hydrogen
MW	megawatt
MWh	megawatt hour
NAB	National Australia Bank
NBE	Next Business Energy

NBN	National broadband network
NECF	National Energy Customer Framework
NEM	National Electricity Market
NERL	National Energy Retail Law
NERLQ	National Energy Retail Law as applied in Queensland
NERR	National Energy Retail Rules
NRMA	National Roads and Motorists' Association
NSW	New South Wales
PIAC	Public Interest Advocacy Centre
PV	photovoltaic
QCA	Queensland Competition Authority
QLD or Qld	Queensland
RACQ	Royal Automobile Club of Queensland
RERT	Reliability and Emergency Reserve Trader scheme
SA	South Australia
SEQ	south-east Queensland
SR	single rate
SRES	small-scale renewable energy scheme
TOU	time of use
Typical SEQ customer	customer with a median consumption
VIC	Victoria
VPP	virtual power plant

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