FACT SHEET

# Solar customers should shop around for the best retail electricity offer

November 2016

When the Solar Bonus Scheme (SBS) ends, if you are a SBS customer you will no longer receive the subsidised feed-in tariffs that were available under the scheme. However, as our information paper, *Options for solar customers after the Solar Bonus Scheme ends*, explains, you can still receive a financial benefit from your PV unit. This benefit would be greatest if you change to a net meter and choose a market offer that provides the best deal for your circumstances.

To help you make a well-informed decision about your electricity offer, this fact sheet provides information on:

- what to consider in comparing market offers
- the range of offers likely to be available to solar customers after the SBS ends on 31 December 2016, and
- the financial impacts of the different offers for solar customers with different characteristics.

## 1 What to consider when comparing electricity offers

As our fact sheet, *Options for solar customers after the Solar Bonus Scheme ends* discussed, like all electricity customers, you need to consider all aspects of an electricity offer, not just the solar feed-in tariff. In fact, our analysis shows that the offer with the highest feed-in tariff is unlikely to provide the best overall electricity deal (see Appendix A).

It is difficult to directly compare offers because retailers present and package them in many different ways. In addition, the best offer for you will depend on factors such as how much electricity you use overall, and (assuming you change to a net meter) how much of this comes from your PV unit and how much from the grid.

However, for most solar customers including SBS customers, one of the most important factors to consider is the price each retailer will charge for electricity. This price typically includes a daily supply charge and per kilowatt hour (kWh)

usage charges. When comparing offers, it is important to look at the actual prices, not the percentage discount each retailer offers. This percentage can be misleading, because retailers may be discounting off different base prices. There might also be exit fees and/or upfront fees you need to take into account.

If you are a SBS customer and are considering changing from a gross meter to a net meter, you should also consider:

- what metering upgrade options are available, including the different costs of these options, whether these costs are upfront or per day, and whether there is any lock-in period or exit fees associated with them
- if there is a smart meter option, whether you can access your energy information in near-real time, and if so, if there is any extra cost associated with this
- what will happen if you don't install a new meter
- if you sign up to an offer before the SBS ends, whether you will be able to keep receiving the 20 cents or 60 cents SBS feed-in tariff until 31 December 2016, and
- what feed-in tariff you will receive after 31 December 2016.

The Australian Government's independent comparator website, *EnergyMadeEasy,* can help you identify and compare different offers available to solar customers in your location (see www.energymadeeasy.gov.au). We have also developed an Excel tool to help you compare different offers in terms of their retail prices and feed-in tariffs. You can find this tool on our website (www.ipart.nsw.gov.au).

## 2 What electricity offers are currently available?

We used the *EnergyMadeEasy* website to review the electricity offers available to solar customers. As Table 2.1 shows, as at October 2016, 54 to 59 electricity offers were available to solar customers from 19 to 20 different retail brands, depending on which network area you are in.

Many of these offers included a solar feed-in tariff, and these mostly ranged between 6 and 6.5 cents per kWh.

**Table 2.1 Offers available to solar customers by network area**

| | Ausgrid | Endeavour | Essential |
|---|---|---|---|
| Number of retailers | 20 | 20 | 19 |
| Number of electricity offers available to solar customers | 54 | 58 | 59 |
| Number of electricity offers providing an unsubsidised feed-in tariff | 44 | 47 | 50 |

**Note:** Postcodes sampled in the Ausgrid, Endeavour and Essential areas 2066, 2147, 2795, respectively.

**Source:** EnergyMadeEasy, Origin Energy and EnergyAustralia

We also asked energy retailers about their metering upgrade offers specifically for SBS customers from 1 January 2017. Table 2.2 summarises the details of these offers. AGL, ENOVA Energy, Red Energy, Origin Energy and Powershop told us they are offering a smart meter upgrade at no up-front costs including installation with no lock-in contract period, or no early termination fee, for eligible customers.

**Table 2.2 Metering upgrade offers available to SBS customers from 1 January 2017**

| Retailer | Metering options and costs | Market terms |
|---|---|---|
| 1st energy | Two meter upgrade options:<br>▾ Convert to smart net metering from 1 January 2017 for a cost of 25c per day (including GST)<br>▾ Do nothing and continue with a gross metering arrangement from 1 January 2017 | ▾ No lock-in contracts or upfront costs<br>▾ Feed-in tariff of 5.1 c/kWh |
| AGL | Solar Maximiser product bundle, which includes:<br>▾ Free smart meter upgrade for eligible homes (ie, single phase power supply without controlled load).<br>▾ For three phase and controlled load[a] customers, a different net meter is required and installation of these meters will commence in January 2017.<br>▾ Solar Command service, a solar energy monitoring tool that tracks solar generation and household consumption.<br>▾ Download AGL Energy App to track account usage and manage energy bills. | ▾ No lock-in contract period or early termination fee (ETF)<br>▾ Feed-in tariff of 6.1 c/kWh |
| Diamond Energy | Interval meters with net metering arrangement at a typical cost of:<br>▾ $295 for a single phase meter<br>▾ $335 for a single phase meter and controlled load<br>▾ $385 for a three phase supply, excluding GST.<br>SBS customers who signed up prior to 2 August 2016 will receive a no-cost metering upgrade.[b] | ▾ No lock-in contract period or ETF<br>▾ Feed-in tariff of 8 c/kWh |
| EnergyAustralia | ▾ Single smart meter that has communication-enabled, gross and net metering functionalities and solar compatibility. | *"Basic Booster"*<br>▾ No lock-in contract period or ETF |

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| | ▾ This meter will be installed by a National Electricity Market Accredited Metering Data Provider (intelliHUB Pty Ltd). | ▾ Feed-in tariff of 6.1 c/kWh<br>▾ Monthly fee of $10, including GST<br><br>*"Feed-in Tariff Booster"* range:<br>▾ Lock-in contract period with ETF, and<br>▾ Pays a feed-in tariff of:<br>– 8 c/kWh for 1 year with a monthly fee of $16<br>– 10 c/kWh for 2 year with a monthly fee of $18<br>– 12.2 c/kWh for 3 years with a monthly fee of $20, including GST |
| ENOVA | Three meter upgrade options:<br>▾ No upfront cost for installation of a smart net meter<br>▾ $300 for installation of single phase time of use net meter<br>▾ $550 for installation of multi-phase time of use meter, excluding GST | ▾ No lock-in contract period or ETF<br>▾ Feed in tariff of 12 c/kWh |
| Mojo Power | SBS customers who sign up the "Plus+" or "Premium" energypass service will receive a meter upgrade. | "*Plus+*" and "*Premium*" energypass<br>▾ No lock-in contract period or ETF<br>▾ Feed-in tariff of 7.3 c/kWh<br>▾ A monthly subscription fee is $45 for "*Plus+"* and $55 for "*Premium",* including GST. |
| Momentum Energy | Upgrade to smart meter for upfront costs. | ▾ Depending on the contract, lock-in periods and ETFs may apply.<br>▾ Feed in tariff of 7 c/kWh |
| Red Energy | Upgrade to smart meter for no upfront cost. | ▾ No lock-in contract period or ETF[c]<br>▾ Feed in tariff of 6 c/kWh |
| Origin Energy | Origin is offering to install a smart meter for their SBS customers, in most cases, for no upfront cost. | ▾ No lock-in contract period or ETF.<br>"*Solar Boost"* product[d]:<br>▾ Feed-in tariff of 10 c/kWh for 12 months<br>▾ 10% discount off Origin's electricity usage charges for 12 months |
| Pooled Energy | Does not currently offer smart meters, but has communicated to all solar customers that a new offer for smart metering upgrade will be made available shortly.[e] | ▾ Pooled Energy's contract is for 5-years with no ETF for electricity<br>▾ Feed-in tariff is being |

| | | |
|---|---|---|
| | | considered |
| Powershop | ▼ Single-phase smart metering upgrades are offered for no upfront costs.<br>▼ Three-phase smart metering upgrades for a small upfront cost. | ▼ No lock-in contract period or ETF<br>▼ All feed-in tariffs are available to solar customers[f] |

**a:** See Box 2.1.

**b**: For customers with single phase power supply. For customers with three-phase power supply, additional charges may apply

**c**: For customers who are already on a product with an exit fee, the fee will continue to apply.

**d**: This is available only to customers who have a net meter installed.

**e**: This statement is as of October 2016.

**f**: Depending on the customers' configuration at their property.

**Note:** While we have also received information from Commander Power and Gas, Dodo Power and Gas and Urth Energy, they are not listed in the table above as they did not offer metering options as of October 2016.

**Source:** Submissions from energy retailers in October 2016.

### Box 2.1 What are a controlled load and three-phase supply?

- Controlled load: Customers with a controlled load may have a separate meter connected to specific appliances, such as electric hot water systems or slab or underfloor heating. A controlled load is metered and billed separately from their normal usage under a flat rate or time of use tariff.
- Three-phase supply: Most residential properties are on a single electricity supply. However, a single electricity supply may not be adequate for some large residential properties, for example those with a large air conditioning unit, floor heating and a swimming pool pump. These types of properties may be on three single phase supplies, known as a three phase supply. Customers on a three phase supply may have three separate meters or one multiphase meter measuring each phase of electricity usage.

### Box 2.2 Further information

We have published a series of information papers to help SBS customers make informed decisions about the tariff and technology options available to them, including more detailed papers on:

- why SBS customers should get a net meter
- why SBS customers should shop around for the best electricity offer
- why unsubsidised feed-in tariffs are less than the retail price of electricity, and
- home battery storage systems.

You will find these papers on our website (www.ipart.nsw.gov.au).

We have also developed an Excel tool to help you compare different offers in terms of their feed-in tariffs and retail prices. You can also find this tool on our website (www.ipart.nsw.gov.au)

# A Case study: Analysis of offers available to solar customers

This case study compares the average price per kWh of electricity and the annual bill amounts that two solar customers would pay under different market offers:

- **Customer 1**: annual consumption of 6,500 kWh and a 1.5 kW PV unit, and
- **Customer 2:** annual consumption of 9,500 kWh and a 3 kW PV unit.

The results show that the offer with the highest feed-in tariff is not necessarily the best overall offer.

## A.1 Methodology

We assumed both customers have a net meter, and consume two thirds of their PV electricity at home (reducing the usage charge component in their bill) and export the remainder to the grid (potentially earning a payment offsetting their bill). We also assumed a 1.5 kW PV unit and a 3.0 kW PV unit generate 1,882 kWh and 3,716 kWh per annum, respectively.

We calculated each customer's annual bill amount under each of the different offers available to solar customers in the Ausgrid network area as at October 2016. We used the consumption figures and generation assumptions outlined above, together with the details of the offer (such as the supply charge, usage charge, feed-in tariff and other fees), and applied any discounts available. Then we divided each annual bill amount by the customer's annual consumption in kWh to determine the average price per kWh under each offer.

## A.2 Offer with the highest feed-in tariff is not the best offer overall

Figure A.1 and Figure A.2 summarise our case study results. We have categorised the offers by the feed-in tariff they include, which range from 0 cents to 12.2 cents. For each category, we have shown the range for average price per kWh.

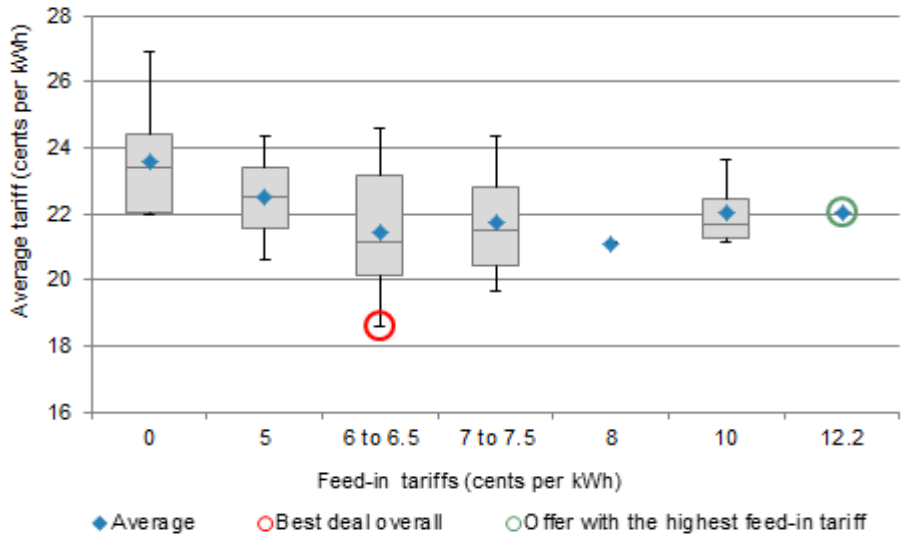
We found that the average price per kWh varies widely across all offers and feed-in tariff categories from 19 cents to 27 cents. And, there does not seem to be a relationship between the average price and the size of the feed-in tariff included in the offer.

The highest feed-in tariff currently available in the market is 12.2 cents/kWh.[1] However, for the typical solar customers we considered, the offer that includes this feed-in tariff is not the best offer overall:

[1] Urth Energy FiT20 provides a feed-in tariff of 20 cents/kWh. However, this offer is excluded from our analysis as it is available only for new solar installations.

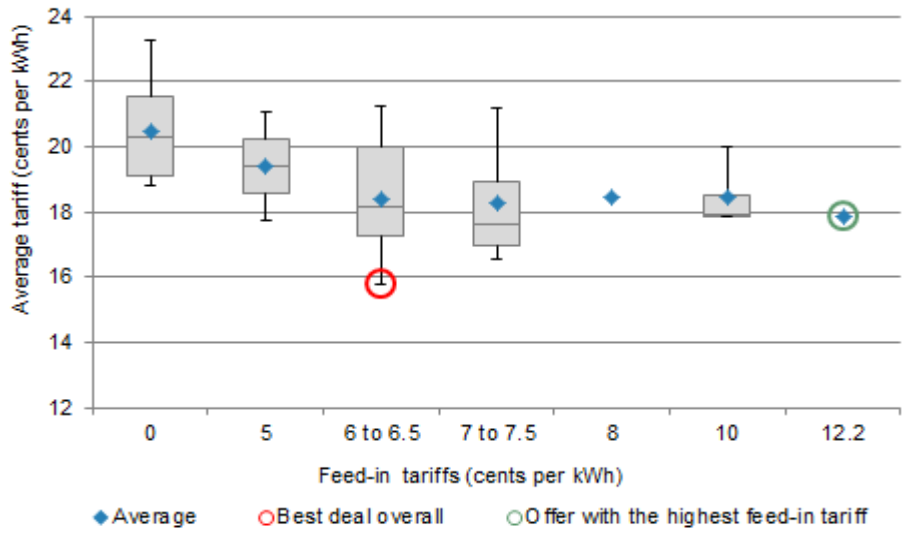
- **Customer 1** would pay an average price of around 22 cents per kWh under this offer. In comparison, they would pay around 19 cents per kWh under the cheapest offer available, which includes a feed-in tariff of 6.5 cents per kWh.
- **Customer 2** would pay an average price of around 18 cents per kWh under this offer, compared to 16 cents per kWh under the cheapest offer, which provides a feed-in tariff of 6.5 cents per kWh.

**Figure A.1 Average price per kWh under offers with different feed-in tariffs - Customer 1**




**Data source:** IPART analysis.

**Figure A.2 Average price per kWh under offers with different feed-in tariffs - Customer 2**




**Data source:** IPART analysis.

## A.3 The best overall offer results in a substantially lower annual bill

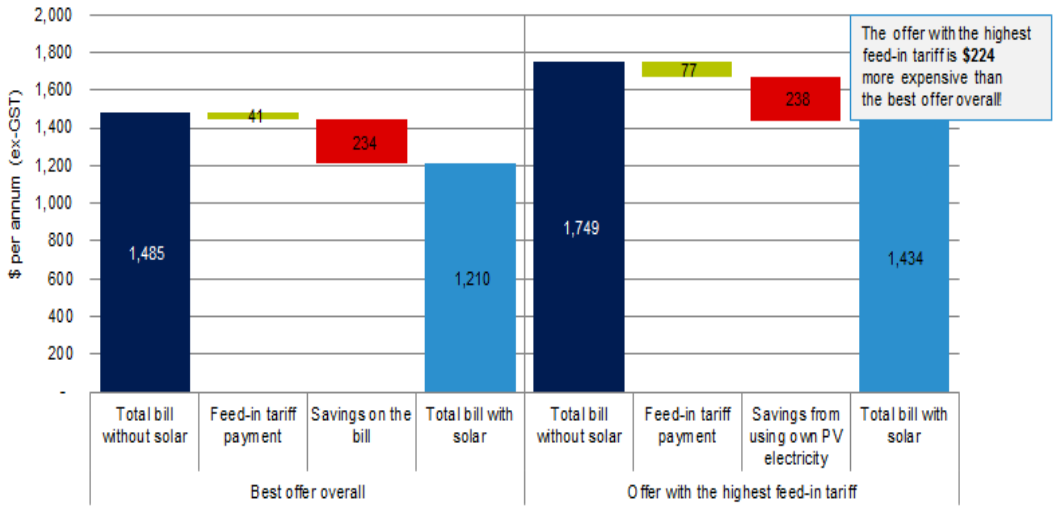
Figure A.3 shows, for each customer, the difference between the annual bill amount under:

- the offer with the highest feed-in tariff available, and
- the offer with the lowest average price per kWh (ie, best overall offer).

For **Customer 1**, the total bill amount under the offer with the highest feed-in tariff is $264 more than that of the best offer overall, **before** taking into account the feed-in tariff credit or the saving from using their own PV electricity (the dark blue bars). After this credit and saving are taken into account, the bill under the offer with the highest feed-in tariff is $224 higher than the best overall offer overall (light blue bars).

This difference is due to the higher average price the customer pays per kWh of electricity under the offer with the highest feed-in tariff, which has a much more significant impact on the total bill than the feed-in tariff credit.

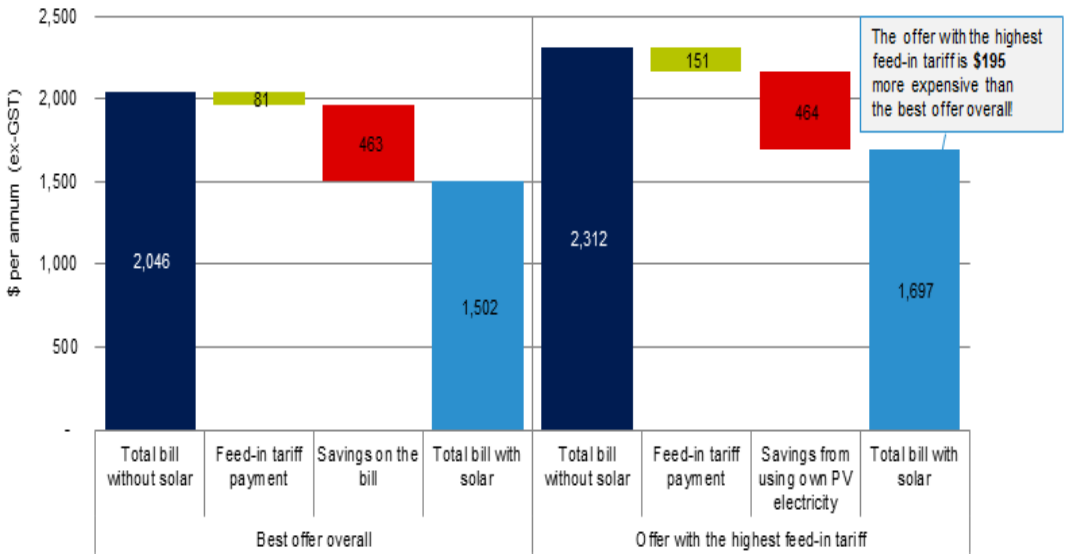
**Figure A.3 Difference between total bill under best offer overall and offer with highest feed-in tariff - Customer 1**




**Data source:** IPART analysis.

The results are similar for **Customer 2**. The total bill amount under the offer with the highest feed-in tariff is $266 more than that under the best offer overall, **before** taking into account the feed-in tariff credit or the saving from using their own PV electricity, and $195 more expensive **after** this credit and saving are taken into account.

**Figure A.4 Difference between total bill under best offer overall and offer with highest feed-in tariff - Customer 2**




**Data source:** IPART analysis.