

## Question on Notice taken during the hearing

### Question

The Hon. JOHN GRAHAM: The large increase that flowed through the system in the middle of last year –

Mr HARMSTORF: Our figures are New South Wales based. Were the ABS figures and the ACCC figures –

The Hon. JOHN GRAHAM: These ABS figures are capital city figures; they are Sydney figures.

Ms BRAKEY: If you go back to the diagram we have circulated, you will see that prices have increased since then. So we would agree with that.

The Hon. JOHN GRAHAM: Are you saying they are in the order of those increases? Are you saying your figures are consistent with the ABS figures?

Ms BRAKEY: It is difficult to answer that question off the cuff. I would need to look at the ABS numbers and our numbers.

The Hon. JOHN GRAHAM: I would be comfortable for you to take that question on notice. However, to the point, on the net increase, the ACCC is saying prices are increasing, the AEMC is saying they are increasing and the ABS is saying they are increasing significantly. Anyone who has opened a power bill in New South Wales is saying they are increasing. That is why we are surprised that you are saying that power prices have fallen.

### Answer

IPART estimated that between 2013-14 (the last year that electricity prices were regulated) and 2018-19, the average price reflecting the range of offers in the market rose by 9.0% in Sydney (a reduction of 0.8% in real terms).

This compares to ABS data (6401.0 CPI for the electricity expenditure class) showing prices have increased by 10.6% in Sydney between 2013-14 and 2017-18 (the last available year of data).

The difference between the IPART estimate and the ABS data may reflect:

- That IPART has measured price changes up to 2018-19 using July pricing data, whereas the ABS estimate is for the period up to 2017-18, and
- Possible price change estimation methods. IPART's estimate is a weighted average of different offers based on the assumptions in the box on the following page. The ABS CPI methodology paper reports that it uses information from retailers to measure price changes, but does not contain further information about which retailers' data were used, or which offers are included.

## How we estimated the average bill change for Sydney customers

We obtained price data from Energy Made Easy to estimate bills for the lowest and standing offers for all retailers. Retailers have also provided us with their prices for their most common offers, and the number of customers on these offers. However, we do not have information on the number of customers on every offer type. Therefore, when estimating the average residential bill paid by Sydney customers, we have had to make a number of assumptions about the number of people paying different prices.

We estimated the average bill for the typical residential consumer by weighting prices by the number of customers on standing and market offers (according to the AER retail statistics), by retailer, and by the number of customers in the Ausgrid and Endeavour networks, for each year.

For each network area:

1. For customers on standing offers we use the standing offer prices for the big three retailers' (applying the NSW- wide market share to each network area) to estimate annual bills.
2. For customers on market offers, we weighted prices by retailers' market shares and we allocated customers to either retailers' lowest offer, their most common offer, expired offers on standing offer prices, or an offer between the lowest offer and the standing offer as follows:
  - ▼ 10% are allocated to retailers' lowest offer (and applying the full value of any unconditional and conditional discounts)
  - ▼ 30% are allocated to the most common offer (and applying the full value of any unconditional and conditional discounts)
  - ▼ 18% are allocated to standing offer prices, to reflect customers on market offers where the discount has expired.<sup>a</sup>
  - ▼ The remaining customers are allocated to a price equal to the mid-point between the lowest and standing offer prices. This is to account for the range of other offers in the market between the lowest offer and the standing offer.

To estimate the average residential bills across Sydney, we then weighted the average price for each network area by the proportion of customers in each network area (57% in Ausgrid, 43% in the Endeavour network area).

<sup>a</sup> Consistent with the findings of the AEMC, *2018 Retail Competition Review*, June 2018, p 62.