

Electricity Survey Report

The electricity survey of retirement villages in Queensland was conducted to answer a number of questions about the supply of electricity to residents in retirement villages. Questions such as:

- What is the spread of charges for electricity supply?
- Are Seniors Discounts passed on to residents?
- What is the impact of embedded networks verses independent?
- Any other questions arising from the data

There are just over 300 registered retirement villages in Queensland. The survey form was sent to 125 of those villages who have residents that are members of the ARQRV. Of these sent, 42 replies were received and form the basis of this survey.

In sampling terms this is a large sample being approximately ten percent of registered villages and its conclusions have a high probability of applying to the total industry in Queensland. This report is based upon the information supplied by residents.

The composition of the returns consisted of:

- 16 of the 42 villages have solar panels.
- 8 of the 42 villages have embedded networks
- 31 of the 42 supplied a copy of a recent electricity invoice
- Only 3 residents were not eligible for a senior rebate

The financial data in the survey form was verified by a copy of an electricity invoice for that particular village. Of the 42 responses eleven did not supply a copy of a recent invoice and the charge rates could not be verified. These returns have been excluded from the rates comparison.

The data was checked to record the following:

- Rates were converted to be inclusive of GST. Some providers included GST in their rates while others showed the GST as a separate item on the invoice. Where the GST was calculated separately it was usually applied to the net amount after the deduction of rebates (net of GST).
- Seven providers gave discounts for various reasons including usage, on time payment and loyalty. The rates were recalculated by reducing them by the discount that applied to the invoice to obtain comparative rates with other suppliers. Usually the rates per kw hour were the highest of the submissions before the application of the discounts.
- Where a resident had the benefit of solar power this was ignored as It is a separate arrangement and relates to the investment in the equipment either directly by the resident or indirectly by the scheme operator. It did seem to have an impact on the electricity invoice in a higher charge rate and usually also incurred a daily charge and a meter reading fee.
- The data makes no reference to location. Most of the responses were from the South East corner of Queensland.

Invoiced items

The invoices showed that there was a range of formats and charging for the supply of electricity. Even invoices from the same provider but to different villages varied in format. Some providers simply charged a rate per kilowatt hour (kwhr) while others had a number of separate charges for:

- hot water as a separate charge (tariff 31 and 33 and controlled supply) and/or
- applied a daily network rate and/or
- where there is solar power charged a meter reading or daily fee for that.

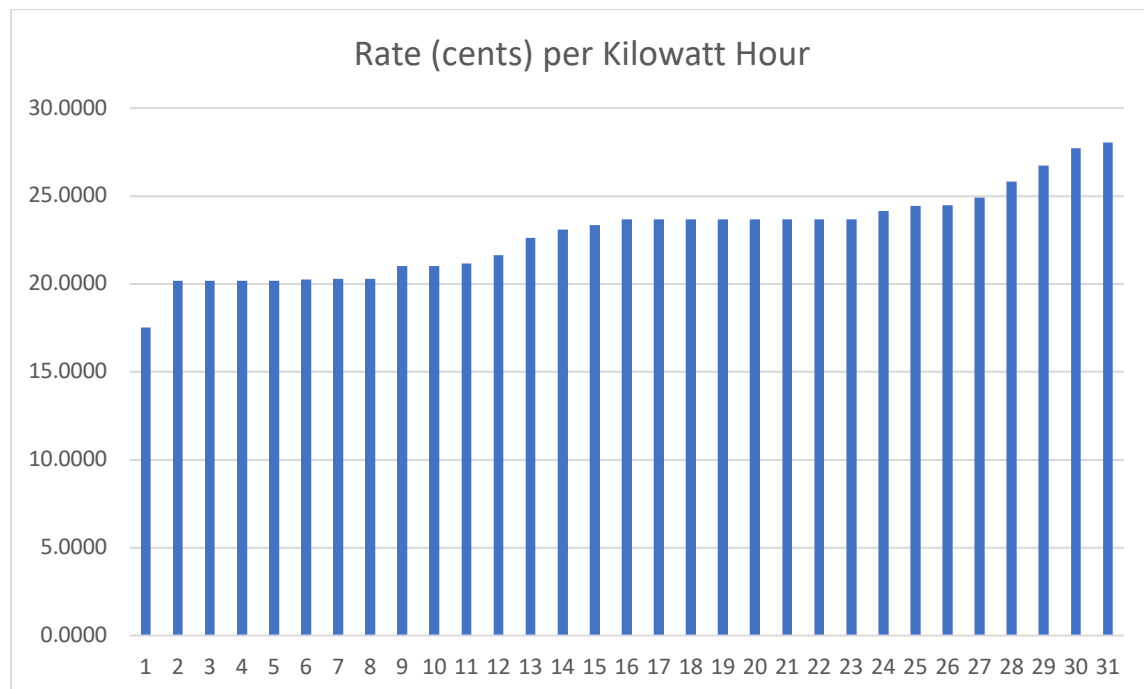
Only one scheme operator charged hot water on a per litre basis with a minimum daily rate. This later arrangement may be because there was a common hot water system for the building and not individual hot water systems per unit.

Charge rates for electricity supply

The charge rate for basic supply ranged from 17.523 cents to 28.028 cents per kw hour. The average of 31 verified returns was 22.176 cents per kilowatt hour. This average is slightly lower than the standing offer rate of 22.65 cents. The higher charges could be due to the different capacity of the village, the location e.g. in regional areas or the existence of an old supply contract yet to expire.

The chart below shows the charge rate for electricity supply from the lowest to the highest for the 31 returns where a copy of an electricity invoice was provided.

Basic Electricity Supply



Embedded Networks

Of the 31 responses that supplied a copy of a recent invoice, eight had embedded networks. Note that three of the embedded network returns did not supply an invoice. There has been some speculation as to whether an embedded network provides the scheme operator the chance to enhance their returns. Based on the survey this is not the case. The average charge rates are:

Supply Network

| | (per Kwhr) | (per Day) |
|--------------------------------|------------|-----------|
| • Independent networks average | 22.4840 | 1.0180 |
| • Embedded Networks average | 20.5736 | 1.0064 |

Senior Rebates

In each of the 42 returns where the customer was eligible the senior's rebate, it was passed on in full by the providers.

Controlled Supply/Hot Water.

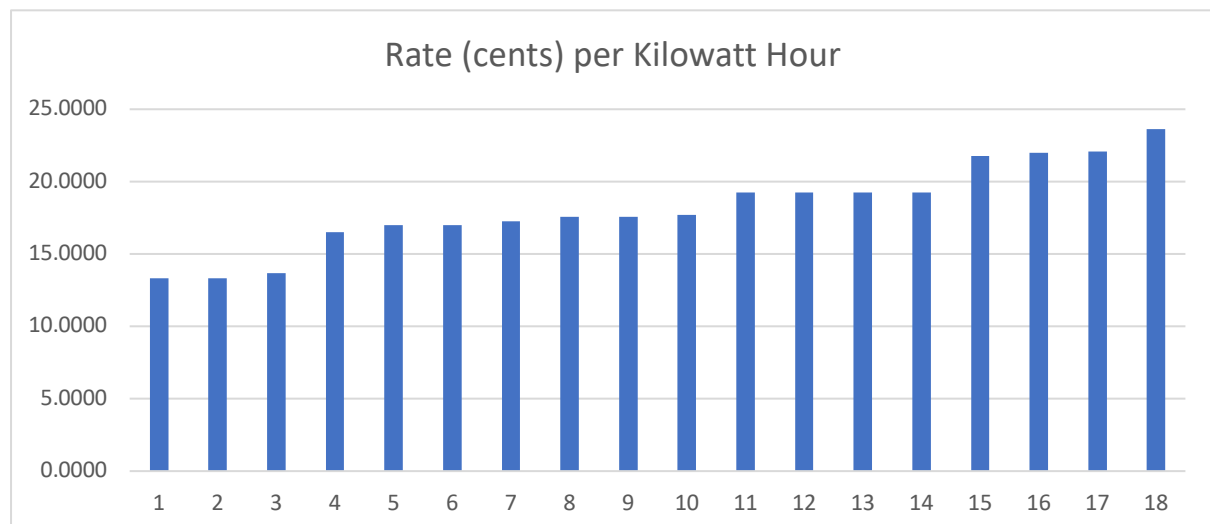
Most respondent invoices (18 of 31) showed a separate charge for controlled supply/hot water. Of these 17 charged on a per kilowatt hour basis and only one on a rate per litre. The latter rate was because the building did not provide a hot-water system per unit but a central supply for all the units in the building. Hot-water charges averaged about 30 percent of the total power usage.

Different rates or descriptions were used for hot water supply such as tariff 31, tariff 33 and controlled supply. Each system utilises the consumption of power for hot water when the demand in the system is low. That is a "night rate" when demand is low.

Charge rates for controlled supply/hot water varied from 13.3056 cents to 23.617 cents per kilo watt hour. The over-all average was 18.192 cents per Kwhr.

The chart below shows the spread from the highest to the lowest of the 18 returns charging this item.

Controlled Supply



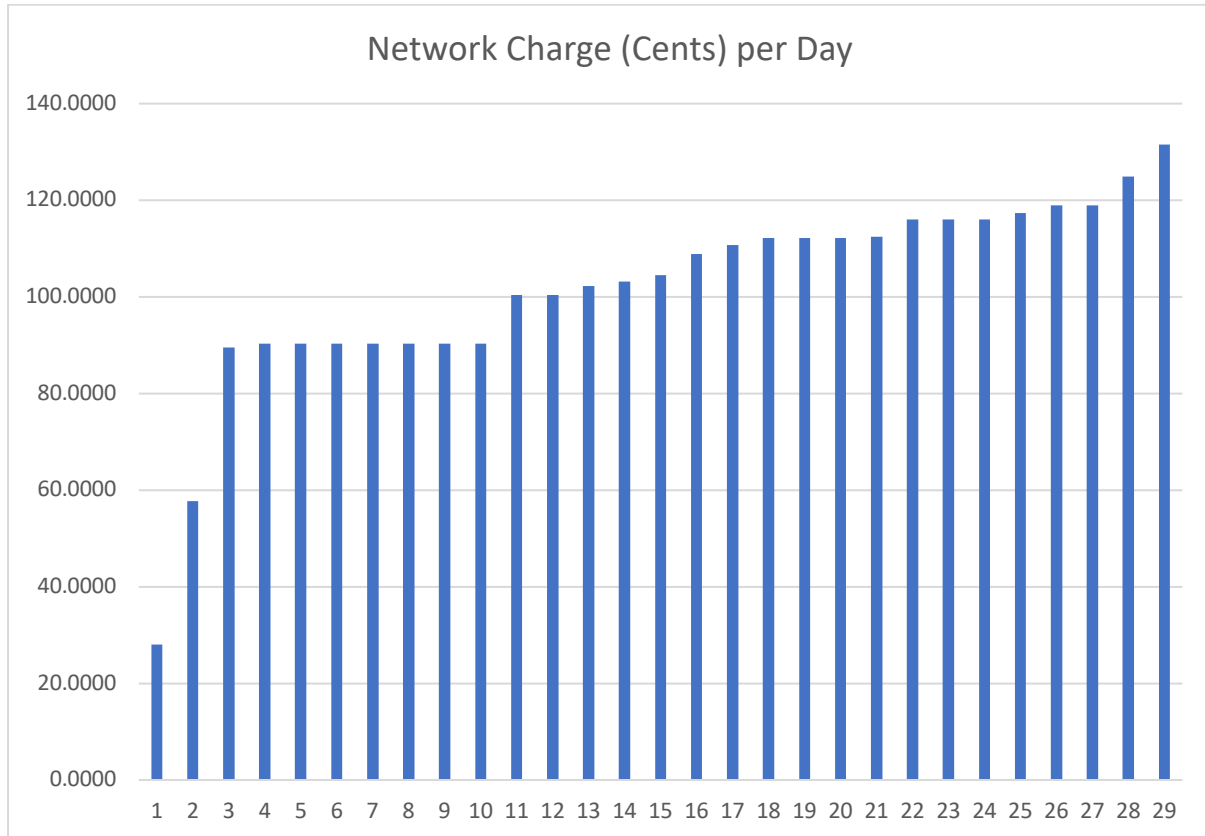
Daily Network Charge

Most respondents were charged a daily rate for network charges. Only two of 31 returns had their daily network fees absorbed into the supply rate for power.

The range of charges was quite wide ranging from a low of 28.09 cents per day to 131.56 cents per day. The next lowest daily rate was 57.78 cents per day. The average rate was 101.615 cents per day.

The chart below shows the various daily charge rates from the lowest to the highest for the 29 returns containing a daily network charge rate.

Daily Network Charge



The Standard Consumer

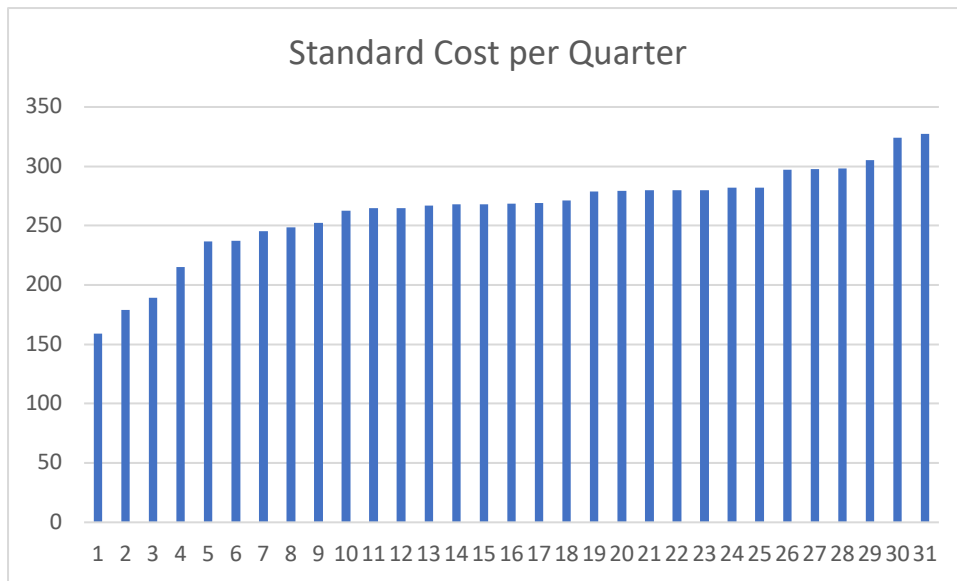
Because of the variety of charges used by providers and a desire to obtain a true comparison of the returns, the concept of a standard consumer was established. This is a consumer who consumes 750 Kilo watt hours of electricity per every 90 days. Each of the 31 returns that supplied invoices were converted to the standard consumer using their actual charges. The usage for each was converted to a weighted average for the supply and the controlled charge. This rate was then multiplied by the 750 Kwh for the standard consumer. To this was added the daily charge and the meter readings for a 90-day period to arrive at a total cost. The pension allowance was not taken into account.

Note that the effects of solar power were excluded from this exercise.

The standard consumer cost ranged from a low of \$158.84 to a high of \$327.09. This is a significant variance of 67.3 percent and shows the effects of other charges on the results.

The average cost for a standard consumer was \$263.77 for 90 days. The chart below shows the various results for each of the 31 returns from the lowest to the highest.

A Standard Consumer Cost (\$)



Default Market Offer/Standing Offer Rates

The Government has established the AER (Australian Electricity Regulator) to put pressure on electricity prices. It established the Standing Offer rate which is the maximum price that all electricity providers to the end consumer must observe. This was replaced by the Default Market Offer (DMO) for 2019/20 which replaces the fixed and variable charges. It also assumes an annual consumption of 4,600 kilowatt hours. Under the Regulations, retailers must structure prices not to exceed the DMO annual price for the stated model annual usage. For residential these models are Flat rate or Flat rate with controlled load. For 2019/20 the DMO flat rate is \$1,570.

The survey has not included a calculation of each return against the DMO.

Summary of Survey Results

There are a number of different arrangements for the supply of electricity and a number of different ways in which residents are charged. The returns received provide some insight to these various arrangements and highlight areas which could be further investigated.

- **Embedded networks do not appear to disadvantage residents.** In fact, they appear to, on average, be charged a lower rate by their provider than that charged for independent networks. It is noted that this was heavily influenced by one return which provided the lowest charge rates and was an embedded network. This skewed the results for the five returns. Without this result the electricity supply charge rate is closer to the overall average and the daily network charge is much higher than the overall average.
- **Solar panels do not produce the full benefit.** It appears that, where solar panels exist, the charge rate for supply is higher than for non-solar situations. In addition, some providers also charge for meter readings and the full benefit of solar power is reduced.

- **Senior Rebate.** Where a resident was entitled to a senior rebate it was passed on in full to the resident.
- **There was a range of supply charges.** One provider charged a low 17.523 cents per kilowatt hour for the usage of electricity. The only other charge by this provider was a low 57.78 cents per day meter service. The question that this example raises is why are others not able to get close to this rate.
- **GST.** Some invoices are calculated net of GST and the GST calculated on the net value of the invoice after Government rebates. The Government rebate is shown on these invoices as net of GST. This raises the question is the provider only declaring the GST shown on the invoice and not including the unrecorded GST in the Government rebate in their BAS returns? This does not affect the resident but it is an interesting question.
- **Default Market Offer or Standing Offer rate.** Further work needs to be done to compare the individual returns against the DMO.

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