



Australian
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AUSTRALIAN
ENERGY
REGULATOR

Energy bills explained

Your energy bill reflects the cost of providing energy services to your business or home. It includes the wholesale cost of buying gas and electricity, transportation costs to deliver energy to your home or business and to provide retail services. It also includes the cost of programs to save energy or support the development of renewable energy.

The Australian Energy Regulator does not set retail energy prices but does have a role in determining the costs of developing and maintaining energy networks. Network costs impact on the transportation and distributing costs which is part of the price you pay for energy.

Typical energy bill explained

Your energy bill reflects a range of costs necessary to deliver gas and electricity to your home or business. The tariff is the amount charged for providing energy under your contract. It includes a:

- **fixed charge**—this is a separate charge on your bill and is called the ‘daily supply charge’. It is not based on how much energy you use.
- **variable charge**—or ‘consumption charge’, is the amount you pay for each unit of electricity and gas you use. It is listed on your bill as cents per kilowatt hour (c/kWh) for electricity and cents per megajoule (c/MJ) for gas.

The costs of providing an energy service to your home or business includes the wholesale cost of buying energy; the cost of building and maintaining energy networks as well as transporting and distributing gas and electricity to your property. Part of your retail bill includes ‘green costs’ which go towards programs to save energy or support the development of renewable energy.

Retail costs

The gas and electricity delivered to your home is the same no matter which retailer you are with. Retail costs account for around ten per cent of your electricity bill and almost 20 per cent of your gas bill. Retail costs include those incurred for providing retail services such as billing and customer service centres.

Wholesale costs

The cost of buying and producing electricity and gas are factored into the energy price you pay and it makes up the second largest part of your energy bill. For electricity it accounts for around a third of the cost of your bill and around a quarter of your gas bill. Wholesale costs are the costs involved in generating electricity or extracting and producing gas.

Network costs

Network costs are the costs of delivering an energy service to your home or business. Electricity power stations and gas plants are often located a long way from households and businesses where energy is used. Network costs include the building, maintenance and operation of the gas pipes and electricity wires that transport energy to you. Businesses that own the transportation networks and facilities that deliver gas and electricity to you are called distributors. These are the largest component of your energy bill, accounting for almost half the cost of your energy supply.

Green and carbon costs

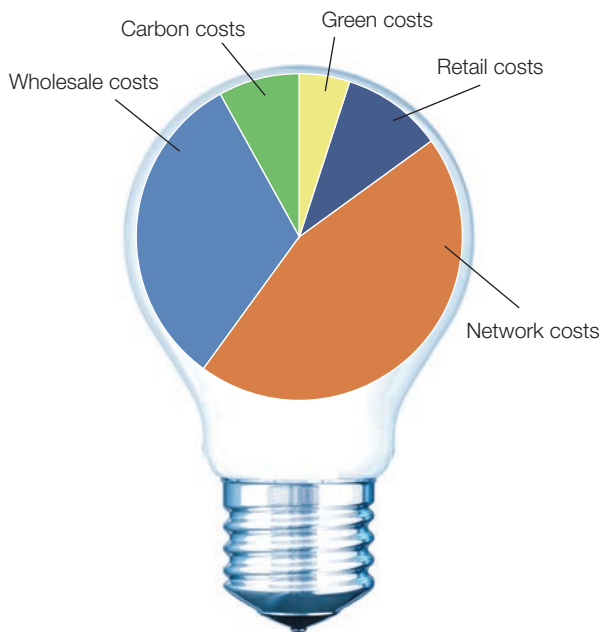
These costs arise from government programs to save energy and support the development of renewable energy. Green costs have increased in the last few years as programs have been introduced or expanded, and make up around five per cent of your electricity bill.

The price on carbon accounts on average for around 8 per cent of energy costs.

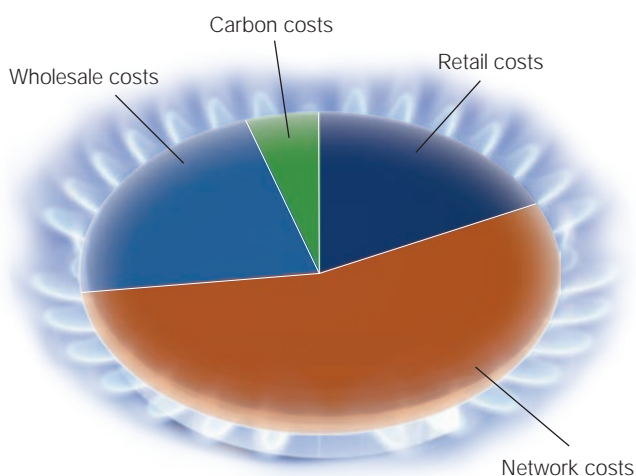
Energy prices in Australia

In Australia the largest contributor to rising energy prices are networks charges such as the costs of replacing and upgrading electricity poles, wires, gas pipelines, and other equipment. Other contributors vary across Australia but include the introduction of green schemes and a price on carbon. Wholesale energy costs have also risen substantially in some regions.

Breakdown of a typical electricity bill



Breakdown of a typical gas bill



Why are my energy costs increasing?

There are a range of reasons why your energy bill increases, including how you use energy. For example, heating your house in winter and cooling it in summer can result in higher energy use and a higher bill.

Check your previous bill as there may have been an amount owing. You can also check to see if the previous bill was based on estimated energy use as the distributor was not able to read your meter.

Also check if the price per unit of electricity (per kWh), or per unit of gas (per MJ) has increased or if a different seasonal tariff was applied to the previous bill.

Talk to your retailer if you are still unsure as to why your energy bill has increased. Your retailer should be able to help you understand any changes to the cost of your energy. For more information see the AER's annual *State of the Energy Market Report* (www.aer.gov.au).

How are energy prices regulated?

In some states and territories retail energy prices are regulated by the government. In Queensland, New South Wales, the Australian Capital Territory, South Australia and Tasmania, you can ask for a standard contract with a regulated electricity price.

Regulated prices for gas are only available in New South Wales and South Australia. In Victoria there is no price regulation. Instead retailers provide a standard contract with set terms and conditions, but are able to set their own prices. Retailers can also offer you a market contract with varying terms and conditions including price.

While the AER has no role in the setting of retail energy prices it does regulate network costs. In electricity this involves setting the revenues and prices that network businesses can earn from transporting electricity to customers. In gas, the AER approves prices for access to pipelines.

More information

Australian Energy Regulator

AER Infoline 1300 585 165

AER website www.aer.gov.au

Energy Made Easy www.energymadeeasy.gov.au

Other contacts

Indigenous Infoline 1300 303 143

For information in languages other than English call 13 1450 and ask for 1300 585 165

Speak and Listen users phone 1300 555 727 and ask for 1300 585 165

TTY users phone 13 3677 and ask for 1300 585 165

Internet relay users connect to the National Relay Service (www.relayservice.com.au) and ask for 1300 585 165

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