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| Report to the Minister pursuant to s 60J of the Competition and Consumer Act 2010 |
| Information about the ACCC’s operations during the March 2015 quarter relating to the carbon tax price reduction obligation |
| April 2015 |

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# Executive Summary

This report provides information about the monitoring, compliance and enforcement activities of the Australian Competition and Consumer Commission (ACCC) during the March 2015 quarter in relation to the price reduction obligation.[[1]](#footnote-1) The ACCC is now satisfied that all entities in the electricity and natural gas sectors apart from one small entity have passed through all savings from the repeal of the carbon tax.

During the March 2015 quarter, the ACCC has continued to analyse information received during previous quarters and engaged with some entities[[2]](#footnote-2) to clarify information provided to the ACCC. As a result, the ACCC:

* is satisfied that all carbon tax cost savings have been returned in the electricity and natural gas sectors with one small exception
* will continue to engage with downstream synthetic greenhouse gas (SGG) wholesaling customers to confirm the effect of the carbon tax repeal on the price of SGGs
* considers that the approach to the issue of future carbon tax liabilities that will no longer eventuate in the landfill sector, as set out in the Department of the Environment’s draft Framework, is appropriate
* is satisfied that, where carbon-tax related price increases were made, there is no information available to indicate that any liable entities in the construction material manufacturing sector are continuing to charge prices that include any carbon tax components, and
* has completed its assessment of the representations made by Qantas Airways Ltd (Qantas) and Virgin Australia Airlines Pty Ltd (Virgin) about the effect of the carbon tax repeal on airfares and does not propose any further action.

The price reduction obligation promoted a high level of compliance within the electricity and natural gas sectors. The price exploitation provisions with high penalties for non-compliance, combined with transparency requirements to substantiate savings and provide statements to customers led to the level of compliance observed within these sectors.

Bulk SGG suppliers and SGG equipment suppliers were subject to the same price exploitation provisions and the transparency requirements to substantiate savings as electricity and natural gas retailers; however, the ACCC has some outstanding questions to be resolved. The ACCC has issued notices pursuant to section 60H of the Competition and Consumer Act 2010 (Cth) (CCA) to confirm the effect of the carbon tax repeal on the price of SGGs.

Other sectors such as landfill, construction material manufacturing and domestic passenger air transport services were not subject to such a rigorous legislative regime requiring entities in these sectors to demonstrate removal of carbon tax cost components from their prices. However, entities in these sectors are prohibited from making false or misleading representations about the effect of the carbon tax repeal on prices pursuant to the price reduction obligation, as well as being subject to the general provisions of the Australian Consumer Law (ACL) relating to misleading or deceptive conduct, and false or misleading representations.

No enforcement actions have been undertaken in the March 2015 quarter. Complaints have continued to decline steadily since the December 2014 quarter and are lower than the number received in the March 2013 quarter after the introduction of the carbon tax.

This report seeks to confirm, or otherwise, the pass through of carbon tax repeal savings. The next, and last, report will provide an update on the remaining industries under assessment and summarise the key findings of the ACCC’s monitoring activities since 1 January 2014.

## Electricity

Based on the information available, the ACCC is satisfied that electricity retailers’ calculation of the amount of carbon tax costs to be removed from prices after repeal corresponds to the carbon tax component that was included in prices prior to repeal, with a small adjustment for repeal implementation costs in some cases. The ACCC is also satisfied that all electricity retailers but one have passed on to customers the cost savings from the repeal of the carbon tax.

Information obtained from large electricity on-sellers and other industry participants has satisfied the ACCC that operators in this sector have passed on to their customers the full benefit of the carbon tax repeal. However, consumers with information suggesting this is not the case are encouraged to contact the ACCC.

Table 1: Average carbon tax repeal cost savings passed through to electricity customers[[3]](#footnote-3)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| State | NSW | VIC | SA | QLD | ACT | TAS | WA | NT |
| Average carbon tax repeal cost savings (c/kWh) | 2.29 | 2.50 | 2.18 | 2.45 | 2.49 | 2.23 | 2.19 | 1.39 |
| Estimated average savings for typical consumption | $134 | $112 | $143 | $145 | $185 | $198 | $135 | $103 |

Since the ACCC commenced monitoring in March-April 2014, residential electricity prices have decreased in most states and territories due to the repeal of the carbon tax. However, other factors have affected electricity prices over this period. In the states where prices increased overall, these increases are less than they otherwise would have been absent the carbon tax repeal.

The ACCC has commissioned Alviss Consulting to undertake an analysis of residential electricity price movements from January 2012 to January 2015 to illustrate consumers’ experience with electricity prices over the period of the carbon tax and its repeal. While electricity prices have fallen after the repeal of the carbon tax, prices remain above what they were in 2012. Over the period, other cost factors have contributed to the increase in the price of electricity. For more information on residential electricity price movements, see page 9.

## Natural gas

Based on the information available, the ACCC is satisfied that retailers’ calculation of the carbon tax costs to be removed from natural gas prices after repeal corresponds to the carbon tax component that was included in prices prior to repeal, with a small adjustment for repeal implementation costs in some cases.

The ACCC is satisfied that natural gas retailers have passed on all of the carbon tax repeal cost savings received to customers.

Table 2: Average carbon tax repeal cost savings passed through to natural gas customers[[4]](#footnote-4)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| State | NSW | VIC | SA | QLD | ACT | TAS | WA |
| Average carbon tax repeal cost savings (c/MJ) | 0.179 | 0.147 | 0.165 | 0.156 | 0.192 | 0.150 | 0.164 |
| Estimated average savings for typical consumption | $36 | $89 | $45 | $24 | $77 | $60 | $16 |

The ACCC has also received pricing data from natural gas retailers to monitor prices from March-April 2014 to January-February 2015. Overall residential prices have mostly increased in the past year mainly due to increases in the wholesale price of gas and network costs. However, these increases are less than they otherwise would have been due to the repeal of the carbon tax. For more information about residential natural gas price movements, see page 28.

## Synthetic greenhouse gases

In the March 2015 quarter, the ACCC’s operations in relation to SGGs focused on seeking information from the downstream SGG wholesaling customers of bulk SGG importers and from SGG equipment wholesalers.

The ACCC’s analysis indicates that prices for most SGGs have reduced to approximately the same levels as prior to the carbon tax. Most bulk SGG wholesalers reported being unable to conclusively say what, if any, carbon tax component was in the prices they paid their suppliers for SGGs in the period when the carbon tax was in effect.

SGG equipment wholesalers reported generally pricing SGG equipment, such as air conditioners, with reference to the market price for the particular features or functions of the equipment and not on a cost-plus basis.

The ACCC has issued compulsory information requests or notices under section 60H of the CCA to those SGG entities who did not respond to the ACCC’s inquiries in a timely manner in order to obtain the requested information. Any additional findings will be reported in the July 2015 Carbon Report.

Under the price reduction obligation, bulk SGG suppliers and SGG equipment suppliers are subject to the price exploitation provisions, like suppliers of electricity and natural gas. They are also subject to the prohibition on making false or misleading representations about the effect of the carbon tax repeal on prices like all entities.

Provisions equivalent to the price exploitation provisions were not in existence at the commencement of the carbon tax in 2012. At that time, the ACCC prioritised investigation of potentially false or misleading representations about the impact of the carbon tax upon businesses’ prices. These investigations were conducted under the general provisions of the ACL. The ACCC instituted proceedings against one supplier of SGGs, Actrol Parts Pty Ltd (Actrol), on 30 April 2014 following such an investigation.

On 2 April 2015, the Federal Court of Australia handed down judgment in these proceedings. The Court found that Actrol had made false or misleading representations in letters to its customers and on its website, by attributing significant price increases of certain SGGs to the implementation of the carbon tax, changes in input costs and general market conditions. The Court has ordered Actrol pay a pecuniary penalty of $520 000 amongst other orders.

## Landfill

Of those entities that included a carbon tax cost component in their 2014/15 gate fees and subsequently removed the carbon tax cost components after repeal, some undertook to refund customers for the carbon tax cost components they paid during the refund period. These entities have now largely completed the process of providing these refunds.

The ACCC’s January 2015 Carbon Report noted that most landfill operators who were liable entities charged a carbon tax cost component that included an amount for the continued emissions produced by this waste in the future.[[5]](#footnote-5) A number of landfill operators who were liable entities have advised the ACCC that they are waiting for the release of an industry-wide voluntary framework being prepared by the Department of the Environment (the draft Framework). The draft Framework suggests methods for the use of funds received during the carbon tax period for the anticipated future carbon tax liabilities that will no longer eventuate.

The ACCC will continue to seek information from landfill operators to confirm their decisions regarding the use of these excess funds. The Department of the Environment is working further on the draft Framework in light of submissions received during the consultation period, with a view to making a recommendation to the Minister for the Environment and to the landfill industry in May 2015.

It has been reported that the Gold Coast City Council announced that about $4 million held in its carbon tax reserves will be used on energy-saving programs to permanently lower the cost of running Commonwealth Games venues in 2018.[[6]](#footnote-6) The ACCC understands that these funds were those collected for future carbon tax liabilities that now will no longer eventuate due to the repeal of the carbon tax.[[7]](#footnote-7) In January 2015, Gold Coast City Council also provided refunds to ratepayers of $14.60 for standard domestic waste and recycling collection services.[[8]](#footnote-8)

## Construction material manufacturing

The January 2015 Carbon Report noted that the only outstanding carbon tax repeal issues in the construction material manufacturing sector were in relation to the prices of bricks and related products which rose at the introduction of the carbon tax. The ACCC has obtained further information from brick manufacturing entities to better understand whether their prices included any carbon tax component post repeal.

In light of the further information received from these entities, the ACCC is now satisfied that, where carbon tax-related price increases were made, there is no information available to indicate that any liable entities in this sector are continuing to charge prices that include any carbon tax components. The ACCC also does not consider that any of these entities’ representations or conduct could be held to be misleading.

## Domestic passenger air transport services

The ACCC has completed its assessment of the representations made by the domestic airlines regarding the effect of the carbon tax repeal on airfares. The ACCC found that the airlines attempted to recover the cost of the carbon tax by increasing their airfares and were likely to have had some, albeit limited, success in recovering these costs in the period immediately after these fare increases were applied. However, the ACCC considers these fare increases were likely to have been transitory, and not enduring over the period that the carbon tax was in effect. As a result, the ACCC will be taking no further action regarding the representations made by domestic airlines about the effect of the carbon tax repeal on airfares.

# Monitoring

The ACCC’s monitoring activities for the March 2015 quarter have focused on:

* seeking confirmation from entities of pass through of carbon tax cost savings
* monitoring price movements to determine the impact of the carbon tax repeal on prices, and
* seeking additional information to that provided to the ACCC in previous quarters.

This report focuses on the impact of the carbon tax repeal in the following industries:

* retail electricity
* natural gas
* SGGs
* landfill
* construction material manufacturing, and
* domestic passenger air transport services.

Where possible, this report will finalise the ACCC’s monitoring of these industries and conclude the ACCC’s assessment of the impact of the carbon tax repeal in relation to these industries. However, the ACCC will continue to monitor these industries for complaints.

In the January 2015 Carbon Report, the ACCC finalised monitoring in the following industries:

* manufacturing:
* paper, glass and plastic
* food – dairy and ingredients, and
* explosives
* liquid fuels, and
* transport.

The ACCC has been monitoring these industries for complaints. The complaint data is available on pages 48 and 49. The majority of contacts the ACCC received related to electricity and natural gas, and were mainly focused on consumers inquiring about their energy bills.

The July 2015 Carbon Report is the last report the ACCC is required to provide to the Minister under the price reduction obligation. This report will provide an update on the remaining industries under assessment and summarise the key findings of the ACCC’s monitoring activities from 1 January 2014.

# Monitoring: Industry assessments

## Electricity

Since the ACCC commenced monitoring in March-April 2014, residential electricity prices have decreased in most states and territories due to the repeal of the carbon tax. However, other factors have affected electricity prices over this period. In the states where prices increased overall, these increases are less than they otherwise would have been absent the carbon tax repeal.

The ACCC is satisfied that electricity retailers’ calculation of the amount of carbon tax costs to be removed from prices after repeal corresponds to the carbon tax component that was included in prices prior to repeal, with a small adjustment for repeal implementation costs in some cases. The ACCC is also satisfied that electricity retailers have passed on to customers the cost savings from the repeal of the carbon tax, with the exception of one small retailer. The ACCC is continuing to investigate the remaining retailer to ascertain whether it has passed on all of its carbon tax repeal cost savings.

Information obtained from large electricity on-sellers and other industry participants has satisfied the ACCC that operators in this sector have passed on to their customers the full benefit of the carbon tax repeal.

Over the period of the carbon tax and its repeal, other cost factors have contributed to the increase in the price of electricity. While electricity prices have fallen after the repeal of the carbon tax, prices remain above what they were in 2012.

### Overview of retail price changes

As part of its monitoring activities, the ACCC collected pricing data from electricity retailers as at March-April 2014, July-August 2014, October 2014 and January-February 2015. The ACCC used the data to calculate average annual bills in each state and territory, based on a consumption of 6500kWh per annum. The graph below shows the difference in those annual bills for residential standing offers between each period of data collection. The figures are averages for the jurisdiction and individual consumers’ experiences will vary depending on their location, consumption level and tariff structure.

The focus of the analysis below is on retailers’ standing offers, with annual bills being calculated as an average from both the big three retailers[[9]](#footnote-9) as well as second tier retailers. In some jurisdictions second tier retailers may not have a significant number of customers in their standing offer; however, these offers provide a useful benchmark from which to observe the impact of the carbon tax repeal as they change with more predictability and are less likely to be affected by changes in discounts.

Graph 1: Average price change for residential standing offers based on ACCC calculations of annual bills[[10]](#footnote-10)

Graph 1 shows the differences observed in the pricing data obtained from electricity retailers as at March-April 2014 to July-August 2014, July-August 2014 to October 2014, and October 2014 to January-February 2015.[[11]](#footnote-11)

The following observations can be made:

* Retailers in the Australian Capital Territory, New South Wales, Queensland, South Australia and Tasmania usually adjust prices around July each year when network tariffs in those jurisdictions change.
* Victorian prices are typically adjusted around January each year as changes to network tariffs occur at that time. Retailers have indicated that increases in network and metering costs were the main factor for the increase in prices between October 2014 and   
  January-February 2015.
* Prices in the Northern Territory also increased between October 2014 and   
  January-February 2015 in line with the pricing order issued by the Northern Territory Treasurer that took effect on 1 January 2015.[[12]](#footnote-12)
* Retailers adjusted their prices to account for the carbon tax repeal at different times. Some retailers adjusted prices in anticipation of the carbon tax repeal, which is captured in the price change for March-April to July-August in the graph above. However, the majority of retailers removed the carbon tax component from their prices after repeal, which is captured in the price change from July-August to October in the graph above. This means that the impact of the carbon tax repeal is difficult to isolate in the graph above. For further analysis of the impact of the carbon tax repeal on prices, see the ACCC’s [January 2015 Carbon Report](https://www.accc.gov.au/system/files/Carbon%20tax%20price%20reduction%20obligation%20the%20ACCC%E2%80%99s%20operations%20during%20the%20December%202014%20quarter%20-%20PDF_0.pdf).[[13]](#footnote-13)

Graph 2 below presents average price changes between March-April 2014 (before the repeal of the carbon tax) and January-February 2015 (after the repeal of the carbon tax and after the Victorian price adjustments in January 2015) and therefore illustrates the overall effect of the removal of the carbon tax and adjustments to prices for other factors, including changes to network tariffs.[[14]](#footnote-14)

Graph 2: Average price change for residential standing offers from March-April 2014 to January-February 2015 based on ACCC calculations of annual bills

Graph 2 above shows an overall price decrease for most jurisdictions. There has been a slight increase in Queensland in line with the regulated price. As noted in the ACCC’s January 2015 Carbon Report, there has also been a slight increase in prices in South Australia. Retailers have indicated that increasing network costs from July 2014 were a significant factor in price increases. In addition, the average decrease for the removal of the carbon tax in South Australia was smaller than in other jurisdictions.[[15]](#footnote-15)

### Assessment of removal of carbon tax component from residential electricity prices

As outlined in previous carbon price monitoring reports, the ACCC has obtained information from electricity retailers through the provision of carbon tax removal substantiation notices, carbon tax removal substantiation statements, pricing data and other information.

Using information provided, the ACCC analysed the methods used by retailers to identify cost savings relating to the repeal of the carbon tax. The ACCC then used the pricing data to assess how those identified cost savings were being passed back to consumers in retail prices.

#### Identifying the carbon tax cost component of prices

The ACCC sought to ensure that the methodology used to calculate carbon tax costs to be removed from prices was the same as that used when the carbon tax was introduced, and that the amount of carbon tax costs removed were the same as the amount that was included in the prevailing price just prior to repeal. The ACCC also considered that if a retailer has any compliance costs related to the carbon tax repeal then these may be relevant to how the retailer adjusts its prices following the repeal.

The ACCC undertook an extensive analysis of the information provided by retailers to satisfy itself that the methodology and calculations of the carbon tax cost savings were correct. The ACCC also sought further information and explanations on a number of occasions from some retailers to clarify these issues.

The cost of the carbon tax fell directly on to electricity generators. The cost was passed on to retailers in the form of higher wholesale prices. However there is no direct relationship between generators and retailers in the wholesale spot market as generators sell into the pool rather than to individual retailers. The pool price itself is volatile and does not have an easily identifiable carbon tax component. Many retailers used hedging instruments to limit their exposure to volatile pool prices, and some are vertically integrated or naturally hedged. Some of those instruments identified carbon tax costs but others did not.

As the carbon tax cost pass through was not identifiable when the carbon tax was introduced, retailers had to calculate the carbon tax component to be added to prices. Generally in the non-regulated jurisdictions, most retailers adopted a methodology based on the carbon price multiplied by the average carbon intensity per megawatt generated. The key difference in methodologies was the carbon intensity used. Most retailers used the National Energy Market-wide (NEM) carbon intensity (either published by Australian Energy Market Operator (AEMO) or based on their own internal estimates) whereas others used state based intensities. Many retailers also adjusted the carbon tax component in retail prices to account for electricity lost during transmission.[[16]](#footnote-16)

At the time the carbon tax was introduced, standing offer prices were regulated in all states except Victoria. In New South Wales and the Australian Capital Territory, the regulated price applies to specific retailers. However, non-regulated retailers often indicated that they adjusted standing offer prices in line with the regulator’s pricing decision regardless. Some retailers followed the regulator’s method for incorporating carbon tax costs in their market offers, while others used their own methodology.

In South Australia and New South Wales prices were deregulated during the period of the carbon tax (on 1 February 2013 and 1 July 2014 respectively). Following deregulation and until the carbon tax was repealed, some retailers continued to follow the same methodology for calculating carbon tax costs used by the regulator when the carbon tax was introduced, while others used their own methodology.

Generally retailers indicated that although they adjusted prices several times after the introduction of the carbon tax, they used the same method to incorporate carbon tax costs at each price change, with updated values to reflect changes in the carbon price and the carbon intensity of the market.

Some retailers started retailing after the introduction of the carbon tax, and had not considered carbon tax costs in isolation when setting prices. Where this was the case, the ACCC sought an explanation as to how the retailers were now determining their cost savings, including factors such as wholesale prices, pricing strategy and structure, and the calculation of the actual amount to be removed from prices.

On repeal, some retailers reduced the amount to be removed from prices by a small amount to account for implementation costs. Where this was the case, the ACCC sought information justifying the amount and allocation of implementation costs between customers.

Based on the information available, the ACCC is satisfied that retailers’ calculation of the amount of carbon tax costs to be removed from prices after repeal corresponds to the carbon tax component that was included in prices prior to repeal, adjusted for repeal implementation costs.

#### Reflecting carbon tax repeal cost savings in prices

Electricity retailers have provided pricing data to the ACCC on a quarterly basis since March 2014. The ACCC has analysed tariffs across jurisdictions and tracked price changes across the period. Wherever possible, the ACCC compared the change in actual prices to the carbon tax cost component that retailers indicated they would remove from prices.[[17]](#footnote-17)

The ACCC observed that the difference in prices either matched or exceeded the total carbon tax costs that the ACCC was satisfied were in the prices that prevailed prior to the repeal of the carbon tax.

Table 3 below provides an overview of the carbon tax repeal cost savings passed back to customers by electricity retailers.

Table 3: Carbon tax repeal cost savings passed back to residential customers[[18]](#footnote-18)

|  |  |  |
| --- | --- | --- |
| State | Range (c/kWh) | Average (c/kWh) |
| NSW | 1.87 - 2.60 | 2.29 |
| VIC | 1.87 - 3.37 | 2.50 |
| SA | 1.86 - 2.50 | 2.18 |
| QLD | 1.87 - 2.64 | 2.45 |
| ACT | 2.40 - 2.53 | 2.49 |
| TAS | 2.23 | 2.23 |
| WA | 2.19 | 2.19 |
| NT | 1.39 | 1.39 |

To illustrate the impact of the above carbon tax repeal cost savings on customers, the ACCC has calculated an estimated average annual cost savings and percentage savings based on the retailers’ standing offers[[19]](#footnote-19) and typical consumption values per jurisdiction.[[20]](#footnote-20)

The estimated carbon tax repeal cost savings and percentage savings based on retailers’ standing offers are set out in Graphs 3 and 4 below.

Graph 3: Estimated average carbon tax repeal cost savings for typical state consumption values

Graph 4: Estimated percentage carbon tax repeal cost savings for typical state consumption values

Outside of the price monitoring, the ACCC contacted one small retailer because of concerns that the retailer had not effected a price change to remove the carbon tax component from its prices by early February 2015. The ACCC notes that the retailer has now effected a price change and provided a credit to its customers for carbon tax costs collected since 1 July 2014. However, the ACCC is continuing to investigate whether the retailer has passed through to customers all of its carbon tax repeal cost savings.

#### Conclusion

The ACCC is satisfied, on the information available to it, that all electricity retailers but one have passed on to customers the cost savings from the repeal of the carbon tax. The ACCC is continuing to investigate the remaining retailer to ascertain whether it has passed through all of its carbon tax repeal cost savings.

### Assessment of removal of carbon tax component from small business electricity prices

Many retailers in the residential market also sell to small businesses. In addition, there are a number of retailers that sell to small business customers but not residential customers. Retailers that have both residential and small business customers used the same approach for calculating carbon tax cost savings for both types of customer. Where retailers only sell to business customers, the ACCC has analysed the information provided in the same way it analysed information for residential retailers described above. The ACCC is satisfied that electricity retailers are passing on cost savings from the carbon tax repeal to their small business customers.

### Change to prices in July 2014

As noted previously, retailers in many jurisdictions typically adjust retail prices around July each year as changes to network tariffs occur at that time. Given that this price change occurred just prior to the repeal of the carbon tax, the ACCC sought information from retailers to satisfy itself that prices were not inflated in July 2014 to offset the expected impact of the carbon tax repeal.

Retailers explained that changes to network costs were a key driver of price adjustments in July 2014 (decreases in New South Wales, and increases in South Australia and Queensland). Many retailers also indicated changes in wholesale prices were a significant factor. Retailers indicated that other factors such as the cost of environmental schemes, the increase in the carbon reference price and retail costs also influenced the price adjustment to a lesser extent.

The ACCC has not received any information that links the July 2014 price increases to the subsequent removal of the carbon tax. On the contrary, it appears that retailers were accounting for the impact of the increase in the carbon tax in their July 2014 price change.[[21]](#footnote-21) These price changes came into effect on or around 1 July 2014. This means that the decision to implement the price occurred well before there was certainty of repeal and before the carbon tax repeal legislation was publicly released in its current form.

The ACCC also sought information about price increases in January 2015 in Victoria. Retailers indicated the main driver of price adjustments in Victoria were increases in network costs. Similarly to the July 2014 price increases, the ACCC has not received any information that would link the January 2015 price adjustments in Victoria to the repeal of the carbon tax in July 2014.

### Electricity on-sellers or private electricity networks

Private electricity distribution networks are used by large site owners or operators to on-sell electricity to on-site users. Typically, sites that have private networks include shopping centres, large residential or commercial building complexes, and caravan parks. Private electricity networks allow site owners to purchase the aggregate electricity usage of the site in bulk (or have another entity do so on their behalf) and on-sell it to the site’s occupants, without being authorised as an electricity retailer.

In December 2014 the ACCC extended its focus to electricity on-sellers. The ACCC’s expectation was that as electricity retailers had implemented price changes to pass on carbon tax repeal cost savings, on-sellers would then be in a position to pass on those savings to their customers.

The ACCC wrote to larger electricity on-sellers listed on the Australian Energy Regulator’s (AER) register of exemptions for retail authorisations, as well as caravan parks and retirement villages, to inform them about the obligations of electricity on-sellers under the CCA. The ACCC has also contacted relevant industry associations to provide guidance and informed small business commissioners and energy ombudsmen of its approach.

The ACCC also sought information from larger on-sellers, particularly those owning or operating large scale commercial and residential property, and companies that specialise in managing private electricity networks as agents for the owner. The information provided by these entities showed that these on-sellers were acting to pass on realised carbon tax repeal cost savings.

The ACCC found that typically large on-sellers have a commercial & industrial electricity supply contract with an electricity retailer.[[22]](#footnote-22) These contracts are usually either carbon inclusive or have a separate pass-through charge for carbon tax costs. Where on-sellers have a separate pass-through charge, it has been removed by the retailer and on-sellers reported having passed those savings on in turn to their customers. Where on-sellers’ supply contracts are carbon inclusive, they reported having no carbon tax repeal cost savings to pass on.

There are several ways on-sellers set their price for electricity. Usually, on-sellers either follow the regulated standing offer price (in regulated states) or follow the pricing of the local area retailer.[[23]](#footnote-23) When the carbon tax was introduced, many on-sellers passed on the carbon tax costs in line with the price determinations made by their state regulator, or adjusted prices in line with the local area retailer. Similarly, when the carbon tax was repealed, carbon tax costs were removed in the same way, with these on-sellers adjusting their prices in line with the most recent pricing determinations by the state regulator, or the price adjustments by the local area retailer, and providing refunds or credits to backdate the price change to 1 July 2014. Other on-sellers set their own prices and have, where appropriate, implemented price adjustments and offered refunds or credits that directly pass on the carbon tax repeal cost savings received from their retailer.

Based on the information provided, the ACCC is satisfied that the approaches taken across the sector have passed on the full benefit of the carbon tax repeal. However, consumers with information suggesting this is not the case are encouraged to contact the ACCC.

### Overview of residential price movements from January 2012 to January 2015

The analysis of residential price movements from January 2012 to January 2015 seeks to illustrate consumers’ experience with electricity prices over the period of the carbon tax and its repeal and the contribution of the carbon tax and other factors to changes in prices over the period.

The ACCC commissioned Alviss Consulting to conduct research into residential pricing over the period of the carbon tax and its repeal.[[24]](#footnote-24)

Graph 5 below shows average residential electricity bills across the jurisdictions over the period, based on an annual consumption of 6500kWh. The impact of the carbon tax introduction and repeal are visible, however, the introduction of the carbon tax coincided with annual price adjustments in many jurisdictions. Graph 5 also shows that the level of prices varies across different jurisdictions when a consistent consumption value is used.

Graph 5: Electricity prices January 2012 to January 2015 as annual bills by jurisdiction (regulated and standing offers)

Source: Alviss Consulting, March 2015

Graph 6 below shows average six monthly changes to annual bills from January 2012 to January 2015. The movement in prices is broadly consistent with the ACCC’s price monitoring data from March-April 2014 to January-February 2015, however due to some differences in methodology the figures do not match exactly. In particular, Alviss Consulting collected data in January and July each year, and October 2014, whereas the ACCC’s data reflects prices as at March-April 2014, July-August 2014, October and January-February 2015.

Graph 6: Six monthly changes to annual electricity bills by jurisdiction (%)

Source: Alviss Consulting, March 2015

#### Analysis of residential price movements by jurisdiction

As electricity consumption varies between jurisdictions, an analysis of price movements has been undertaken based on consumption levels typical for the metropolitan area in each state and territory to better illustrate the impact of price changes on consumers in each jurisdiction. The average consumption levels used are set out in Table 4 below.

Table 4: average annual electricity consumption (kWh)[[25]](#footnote-25)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| TAS | NT | ACT | SA | WA | QLD | NSW | VIC |
| 8,080 | 6,750 | 6,730 | 5,980 | 5,600 | 5,400 | 5,310 | 4,050 |

Source: Alviss Consulting, March 2015

These consumption levels are based on households that also have reticulated gas, so the analysis is most representative of consumers in metropolitan areas.[[26]](#footnote-26) In cooler climate jurisdictions such as Victoria, the Australian Capital Territory, Tasmania and New South Wales electricity consumption is significantly greater for households that do not have natural gas. Given this, the graphs below are based on prices in metropolitan areas – AusGrid and Endeavour in New South Wales, and Jemena, United and Citipower in Victoria.

The following graphs show the change in annual bills for regulated/standing offers and market offers, using the above average consumption levels by state and territory.

The graphs show a clear increase in annual bills in July 2012 when the carbon tax was introduced and a decrease after repeal. However, the introduction of the carbon tax coincided with a regular annual price change in many jurisdictions, so the increase is not solely attributable to the carbon tax alone.

In Queensland, New South Wales, the Australian Capital Territory, Victoria, South Australia, Western Australia and the Northern Territory the removal of the carbon tax appears in October 2014, whereas in Tasmania the removal of the carbon tax appears in July 2014. The July price change in Tasmania reflects a price decrease for the removal of the carbon tax, determined by the Tasmanian state regulator, but this was partially offset by increases in other supply costs.[[27]](#footnote-27)

Graph 7: Electricity prices as annual bills from January 2012 to January 2015 in Queensland[[28]](#footnote-28)

Source: Alviss Consulting, March 2015

Graph 8: Electricity prices as annual bills from January 2012 to January 2015 in New South Wales[[29]](#footnote-29)

Source: Alviss Consulting, March 2015

Graph 9: Electricity prices as annual bills from January 2012 to January 2015 in the Australian Capital Territory[[30]](#footnote-30)

Source: Alviss Consulting, March 2015

Graph 10: Electricity prices as annual bills from January 2012 to January 2015 in Victoria[[31]](#footnote-31)

Source: Alviss Consulting, March 2015

Graph 11: Electricity prices as annual bills from January 2012 to January 2015 in South Australia[[32]](#footnote-32)

Source: Alviss Consulting, March 2015

Graph 12: Electricity prices as annual bills from January 2012 to January 2015 in Tasmania[[33]](#footnote-33)

Source: Alviss Consulting, March 2015

Graph 13: Regulated electricity prices as annual bills from January 2012 to January 2015 in Western Australia

Source: Alviss Consulting, March 2015

Graph 14: Regulated electricity prices as annual bills from January 2012 to January 2015 in the Northern Territory

Source: Alviss Consulting, March 2015

#### Factors affecting prices from July 2012

In 2012, the AER reported that network costs were the largest contributor to energy price increases for several years prior to the introduction of the carbon tax; network costs continued to rise in 2012–13, although the introduction of the carbon tax had a slightly larger impact on prices in that year in most jurisdictions.

The Queensland Government introduced a price freeze from 1 July 2012 and carbon tax costs were the only costs that retailers were allowed to pass on to customers. The price freeze was removed in July 2013 and retail prices increased significantly.

Network costs have continued to rise in most jurisdictions over the period. The graph below shows the average bill impact of increasing network charges.

Graph 15: Network costs by jurisdiction[[34]](#footnote-34)

Source: Alviss Consulting, March 2015; AER, *AMI budget and charges applications 2012–15, final determination*, October 2011; AER, AMI charges revision applications for Victorian electricity distribution businesses (various years).

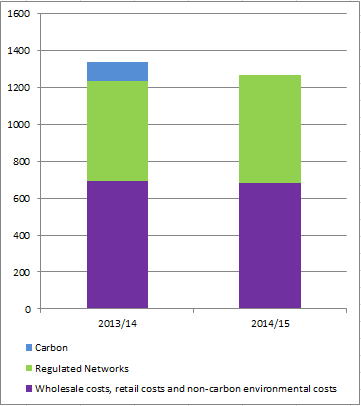
Over the rest of the period in which the carbon tax was in effect, other factors continued to influence retailers’ costs, including wholesale prices, green schemes, solar feed-in-tariffs, and retail costs. As a result, while prices have fallen after the repeal of the carbon tax, prices remain above what they were in 2012.

Graph **16** below provides an example of the make-up of an electricity bill in a distribution area in Victoria over the period from January 2012 to September 2014. This graph is for illustration only, and individual customers’ experiences may vary substantially.

Graph 16: Example make-up of an electricity bill in Victoria from January 2012 to September 2014

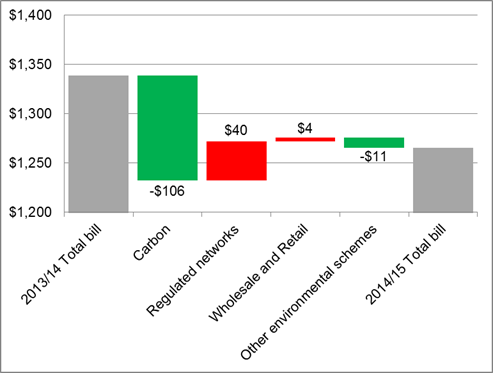
The graphs below are based on Australian Energy Market Commission (AEMC) data for Victoria and show the extent to which average prices were expected to decrease following the removal of the carbon tax. However, it also shows that network costs continue to impact prices in that state.

Graph 17: Expected movements in cost components of the average residential electricity price in Victoria



Source: AEMC, *2014 Residential Electricity Price Trends: Final Report*, December 2014

Graph 18: Expected movements in cost components of the average residential electricity price in Victoria



Source: AEMC, *2014 Residential Electricity Price Trends: Final Report*, December 2014

#### Conclusion

Over the period of the carbon tax and its repeal, other cost factors have contributed to the increase in the price of electricity. While electricity prices have fallen after the repeal of the carbon tax, prices remain above what they were in 2012, and in some states above what they were in June 2014 just prior to the repeal.

## Natural gas

The ACCC received pricing data from natural gas retailers to monitor prices from March-April 2014 to January-February 2015. Overall residential prices have mostly increased in the past year mainly due to increases in the wholesale price of natural gas and network costs. However, these increases are less than they otherwise would have been due to the repeal of the carbon tax.

Based on the information available, the ACCC is satisfied that retailers’ calculation of the carbon tax costs to be removed from prices after repeal corresponds to the carbon tax component that was included in prices prior to repeal, with a small adjustment for repeal implementation costs in some cases. The ACCC is satisfied that retailers have passed on all of the carbon tax repeal cost savings received to consumers.

Over the period of the carbon tax and its repeal, other cost factors have contributed to the increase in the price of natural gas. Increases in network costs at the time of the introduction of the carbon tax and in wholesale costs in 2014, have contributed to the net increase in retail natural gas prices since January 2012. However, these increases are less than they otherwise would have been absent the carbon tax repeal.

### Overview of price changes

As part of its monitoring activities, the ACCC collected pricing data from natural gas retailers as at March-April 2014, July-August 2014, October 2014 and January-February 2015. The ACCC used the data to calculate average annual bills in each state and territory, based on a consumption of 45GJ per annum.

The graph below shows the difference in those annual bills for residential standing offers between each period of data collection. The figures are averages for the jurisdiction, and individual consumers’ experiences will vary depending on their tariff structure, location and consumption.

The ACCC’s analysis focuses on residential standing offers as the ACCC considers these to be a good benchmark to assess the pass through of cost savings from the repeal of the carbon tax. However, the ACCC has also examined most common market offers and small business offers.

Graph 19: Average price change for residential standing offers based on ACCC calculations of annual bills[[35]](#footnote-35)

Graph **19** shows the differences observed in the pricing data obtained from natural gas retailers as at March-April 2014 to July-August 2014, July-August 2014 to October 2014 and October 2014 to January-February 2015.

The following observations can be made:

* As noted in the ACCC’s January 2015 Carbon Report, retailers adjusted their natural gas prices to account for the repeal of the carbon tax at different times. Three retailers removed the carbon tax component from their prices from 1 July 2014 in anticipation of the repeal, while all others removed carbon tax components between July and October 2014.[[36]](#footnote-36)
* For Victoria and Tasmania, Graph **19** shows an increase in average bills between October 2014 and January 2015. Retailers in Tasmania and Victoria typically adjust prices around January each year as network tariffs change at this time. Retailers have indicated that increases in commodity costs and network costs were the main reasons for the increase in prices.
* In other NEM jurisdictions this price adjustment typically occurs around July each year as network tariffs change at that time. Some retailers implemented a single price adjustment between July and October 2014 to reflect changes in network and other costs, and to remove the carbon tax components. Some retailers have further adjusted prices in January 2015 due to further cost changes such as wholesale prices.

Graph **20** below presents average price changes between March-April 2014 and January-February 2015 and therefore illustrates the overall effect of the removal of the carbon tax and adjustments to prices for other factors, including changes to network tariffs.[[37]](#footnote-37)

Individual consumers may experience different price changes in their bills based on their unique circumstances including which distribution network they use, how much natural gas they consume and what type of offer they are on.

Graph 20: Average price change for residential standing offers from March-April 2014 to January-February 2015 based on ACCC calculations of annual bills

The net effect of price changes from March-April 2014 to January-February 2015 has been an increase in the Australian Capital Territory, New South Wales, Queensland, South Australia and Tasmania. Over the period, increases in the wholesale price of natural gas and network costs have been the main factors leading to the overall average net increase in natural gas prices after the removal of the carbon tax. Tariff restructures by one retailer has also affected the average increase in New South Wales.

### Assessment of removal of carbon tax component from retail gas prices

As outlined in previous carbon tax price monitoring reports, the ACCC has obtained information from natural gas retailers through carbon tax removal substantiation notices, carbon tax removal substantiation statements, the collection of pricing data and other information obtained on a voluntary basis. This information was used to analyse the method and figures retailers used to calculate cost savings relating to the repeal of the carbon tax and assessing whether those savings have been passed back to consumers.

#### Identifying carbon tax repeal cost savings

The ACCC sought to ensure that:

* the methodology used by retailers to calculate the cost savings from the removal of the carbon tax was the same as that used to calculate the carbon tax component in retail prices when the carbon tax was introduced or when the carbon tax component was last adjusted, and
* the figures used in the calculation of the carbon tax repeal cost savings were the same as those used to determine the carbon tax component in retail prices at the last price adjustment prior to repeal. The ACCC also considered that if a retailer had any compliance costs related to the carbon tax repeal then these may be relevant to how the retailer adjusts its prices following the repeal.

The ACCC sought further information from a number of retailers to clarify the above issues.

Natural gas retailers identified savings to consumers on a dollar per gigajoule basis. This included the direct emissions liability (scope 1 carbon tax costs) as well as the various upstream liabilities that were passed through to the retailer (scope 3 carbon tax costs) and the direct pass though of network carbon tax costs. Natural gas retailers advised that they used National Greenhouse and Energy Reporting (NGER) figures to generate the values for the scope 1 carbon tax costs. Scope 1 emissions have an identified set value across Australia. Some retailers also used NGER figures to calculate scope 3 emissions; however, others used their own monitoring to determine their scope 3 carbon tax costs. Scope 3 carbon tax costs vary between retailers, depending on which basins they source their gas from.

In New South Wales where natural gas standing offers are regulated, retailers indicated that they followed the pricing approved by the Independent Pricing and Regulatory Tribunal (IPART) for the incumbent retailer in each distribution zone before and after repeal.

Based on the information available, the ACCC is satisfied that retailers’ calculation of the carbon tax costs to be removed from prices after repeal corresponds to the carbon tax component that was included in prices prior to repeal, with a small adjustment for repeal implementation costs in some cases.[[38]](#footnote-38)

#### Reflecting carbon tax repeal cost savings in retail prices

Natural gas retailers have been providing quarterly pricing data which the ACCC used to assess whether the identified carbon tax costs have been removed from tariffs. Where possible, the ACCC compared the carbon tax repeal cost savings identified by retailers to actual price changes.[[39]](#footnote-39) The ACCC observed that the difference in actual prices reflected the carbon tax costs that retailers indicated were in the prices that prevailed prior to the repeal of the carbon tax (after adjustments for implementation costs where relevant).

Table **5** below summarises the carbon tax repeal cost savings passed on to residential customers by natural gas retailers.

Table 5: Carbon tax repeal cost savings passed on to natural gas customers[[40]](#footnote-40)

|  |  |  |
| --- | --- | --- |
| State | Range (c/MJ) | Average (c/MJ) |
| NSW | 0.143 - 0.197 | 0.179 |
| VIC | 0.130 – 0.161 | 0.147 |
| SA | 0.142 – 0.212 | 0.165 |
| QLD | 0.149 – 0.163 | 0.156 |
| ACT | 0.188 – 0.199 | 0.192 |
| TAS | 0.142 – 0.158 | 0.150 |
| WA | 0.158 – 0.170 | 0.164 |

To illustrate the impact of the above carbon tax repeal cost savings on customers, the ACCC has calculated estimated average annual cost savings and percentage savings based on the retailers’ standing offers[[41]](#footnote-41) and typical consumption values per jurisdictions.[[42]](#footnote-42)

The estimated carbon tax repeal cost savings and percentage savings based on retailers’ standing offers are set out in Graphs **21** and **22** below. Typical consumption values vary markedly between jurisdictions and is a key factor affecting the value of carbon tax repeal cost savings.

Graph 21: Estimated average carbon tax repeal cost savings for typical state consumption values

Graph 22: Estimated percentage carbon tax repeal cost savings for typical state consumption values

#### Conclusion

On the information available, the ACCC is satisfied that retailers have passed on all of the carbon tax repeal cost savings received to consumers.

### Overview of retail price movements since January 2012

As with electricity, the analysis of residential price movements from January 2012 to January 2015 seeks to illustrate consumers’ experience with natural gas prices over the period of the carbon tax and its repeal, and the contribution of the carbon tax and other factors to changes in prices over the period.

The ACCC commissioned Alviss Consulting to conduct research into residential natural gas pricing over the period of the carbon tax and its repeal.

Graph **23** below shows average annual bills calculated using a consumption value of 40GJ per year. It is worth noting that prices vary substantially between jurisdictions.

Graph 23 – Natural gas prices ($) January 2012 to January 2015 as annual bills by jurisdiction for households consuming 40GJ per annum

Source: Alviss Consulting, March 2015

The impact of the introduction and subsequent removal of the carbon tax is visible. However, the introduction of the carbon tax coincided with a regular price change in many jurisdictions. As noted above, retailers adjusted prices for the removal of the carbon tax at different times.

Graph 24 – Six monthly changes (%) to annual gas bill by jurisdiction for households consuming 40GJ per annum

Source: Alviss Consulting, March 2015

Consistent with the ACCC’s findings, Graph **24** above shows that on average, natural gas bills decreased between July and October 2014 in all jurisdictions. The values in this graph may not always be comparable to the values in Graph **19** above as they are based on different data sources. In addition, Alviss Consulting collected data in January and July each year and October 2014, whereas the ACCC’s data reflects prices as at March-April 2014, July-August 2014, October 2014 and January-February 2015.

#### Analysis of price movements by jurisdictions

Natural gas consumption varies markedly between jurisdictions. To better illustrate the impact of natural gas price changes on consumer bills, an analysis of natural gas price movements has been undertaken based on typical consumption levels for households in each state. The typical consumption levels used are set out in Table **6** below.

Table 6: Typical annual gas consumption per households (GJ)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| QLD | NSW | SA | ACT | TAS | VIC |
| 10 | 20 | 20 | 40 | 40 | 60 |

Source: Alviss Consulting, March 2015

The following graphs show annual bills for regulated, standing and market offers from January 2012 to January 2015 for the NEM jurisdictions, using the above typical consumption levels.

Of the NEM jurisdictions, only New South Wales currently regulates residential retail natural gas prices. In Victoria and South Australia, retailers are required to publish natural gas standing offer rates. New South Wales, Victoria, South Australia, Queensland, Tasmania and the Australian Capital Territory all have more than one retailer offering natural gas market offers to residential customers. As Queensland, Tasmania and the Australian Capital Territory do not have either regulated prices or requirements to publish a standing offer, any natural gas offers by retailers are classified as market offers by Alviss Consulting. The average market offer bills in the graphs below include guaranteed discounts.

The graphs clearly show an increase in natural gas prices in July 2012 when the carbon tax was introduced. However, the introduction of the carbon tax coincided with annual price adjustments in the Australian Capital Territory, New South Wales, Queensland and South Australia. In particular, network costs increased in these jurisdictions in July 2012 and have continued to rise over the past two years.

The increase in the wholesale price of natural gas was a key factor in the increase in retail natural gas prices around July 2014.

As some retailers in South Australia and New South Wales implemented price changes between July and October 2014 to account for both the removal of the carbon tax and increases in other costs, the calculation of an average bill for October 2014 does not clearly show the removal of the carbon tax from market offers. In all other jurisdictions and for all standing offers, the removal of the carbon tax from natural gas prices is clearly visible.

Graph 25 – Natural gas prices as annual bills from January 2012 to January 2015 in New South Wales[[43]](#footnote-43)

Source: Alviss Consulting, March 2015

Graph 26 – Natural gas prices as annual bills from January 2012 to January 2015 in Victoria[[44]](#footnote-44)

Source: Alviss Consulting, March 2015

Graph 27– Natural gas prices as annual bills from January 2012 to January 2015 in South Australia[[45]](#footnote-45)

Source: Alviss Consulting, March 2015

Graph 28 – Natural gas prices as annual bills from January 2012 to January 2015 in Queensland[[46]](#footnote-46)

Source: Alviss Consulting, March 2015

Graph 29 – Natural gas market offer prices as annual bills from January 2012 to January 2015 in Tasmania[[47]](#footnote-47)

Source: Alviss Consulting, March 2015

Graph 30 – Natural gas market offer prices as annual bills from January 2012 to January 2015 in the Australian Capital Territory[[48]](#footnote-48)

Source: Alviss Consulting, March 2015

#### Conclusion

Over the period of the carbon tax and its repeal, other cost factors have contributed to the increase in the price of natural gas. Increases in network costs at the time of the introduction of the carbon tax, and in wholesale costs in 2014, have contributed to the net increase in retail natural gas prices since January 2012. However, these increases are less than they otherwise would have been absent the carbon tax repeal.

## Conclusion – carbon tax repeal cost savings in electricity and natural gas

To illustrate the overall impact of the repeal of the carbon tax on customers with regard to their electricity and natural gas bills, the ACCC has calculated the estimated combined average annual cost savings based on the retailers’ standing offers and typical consumption values per jurisdictions.[[49]](#footnote-49) The estimated average annual carbon tax repeal cost savings for both electricity and natural gas are set out in Graph **31** below.

Graph 31: Estimated average annual carbon tax repeal cost savings for electricity and natural gas

## Synthetic greenhouse gases

Prices for most SGGs have reduced to approximately the same levels as prior to the introduction of the carbon tax. The ACCC will continue to engage with downstream SGG wholesaling customers to confirm the effect of the carbon tax repeal on the price of SGGs.

The ACCC has also issued compulsory information requests or notices pursuant to section 60H of the CCA to those SGG entities who did not respond to the ACCC’s inquiries in a timely manner in order to obtain the requested information. Any additional findings will be reported in the July 2015 Carbon Report.

In the January 2015 Carbon Report, the ACCC reported on the effect of the carbon tax and its repeal on costs, and prices of bulk SGG importers and wholesalers.[[50]](#footnote-50) For the April 2015 Carbon Report, the ACCC looked further down the supply chain to assess the effect of the carbon tax and its repeal on their customers, wholesalers who did not import SGGs (non-importer SGG wholesalers). The effects on SGG equipment were also explored further for this report.

This has provided the ACCC with an understanding of pricing practices throughout the supply chain over the period of the carbon tax and its repeal which informs whether post repeal prices include pass through of carbon tax repeal savings.

### Non-importer synthetic greenhouse gas wholesalers

As reported in the January 2015 Carbon Report, many bulk SGG importer/wholesalers stockpiled SGGs prior to the introduction of the carbon tax and did not incur large carbon tax costs as a result. However, wholesale prices did increase sharply around the time of the introduction of the carbon tax as a result of import parity pricing. While the cause of the price increases may not have been directly due to increased carbon tax costs, savings were nevertheless reported upon repeal as the viable alternative of imports without the carbon tax applied re-emerged.

The ACCC has now engaged with the customers of the importer/wholesalers, the non-importer SGG wholesalers, to understand their experience of the carbon tax and its repeal.

Most non-importer SGG wholesalers reported being unsure of their actual carbon tax costs. Their suppliers did not typically identify a separate carbon tax cost to them. Some had inferred a carbon tax cost in the price increases seen after the introduction of the carbon tax. However, they did not ultimately know when the particular stock had been imported and therefore whether the carbon tax levy had applied to it.

Likewise, upon repeal the non-importer SGG wholesalers could not confidently identify savings as a result of the carbon tax repeal for the most part. Nevertheless, prices for most SGGs have reduced to approximately the same levels as prior to the carbon tax.

Most SGG wholesalers reported using a market pricing methodology for setting SGG prices, as opposed to simply adding a fixed or percentage margin to costs. Many also reported seeing reduced demand during the carbon tax period; however, there appeared to be an emerging view that demand is recovering post repeal.

### Synthetic greenhouse gas equipment

SGG equipment suppliers typically imported SGG equipment, such as air conditioners and refrigerators, pre-charged with SGG.

Unlike bulk SGGs, the ACCC understands there was little stockpiling of SGG equipment. As a result, SGG equipment suppliers tended to pay a carbon tax levy for the import of SGG equipment during the effective period of the carbon tax.

However, most SGG equipment suppliers did not simply pass the carbon tax levy on as a separately identified line item but rather treated it as a typical cost or component of the full price. Generally the carbon tax was negligible compared to the overall cost of the product.

Wholesale prices for SGG equipment were generally set with reference to the market price for the particular features or functions of the equipment, as these are the significant factors that influence the wholesale price of the product.

The ACCC has also observed from SGG equipment wholesaler responses that there was no significant changes in SGG equipment demand during the carbon tax scheme or since the carbon tax repeal. Assessment of the negligible complaints to the ACCC regarding SGG equipment suppliers not passing on carbon tax repeal cost savings appears to indicate that post repeal prices do in fact include carbon tax repeal cost savings.

In the January 2015 Carbon Report, the ACCC reported receiving a small number of complaints concerning the carbon tax repeal related savings offered by SGG equipment suppliers. Following ACCC inquiries, the complaints were addressed and to date no further complaints have been received. The ACCC will continue to assess and monitor for further complaints.

The cost of the SGG refrigerant component of such equipment often represented a relatively small proportion of the overall price of the equipment. Nevertheless, the ACCC has been advised of instances of refunds to wholesale customers for carbon tax components charged on SGG equipment. In some cases, carbon tax costs which were not genuinely incurred were passed on and then reversed. In others, rebates were provided even when genuine carbon tax costs had been incurred on the equipment, in order to maintain goodwill with customers.

Some SGG equipment suppliers who had imported SGG equipment reported being at a disadvantage to local suppliers whom they considered were able to purchase stockpiled bulk SGG locally. Some SGG equipment suppliers considered they were in the position of an overall net loss taking into consideration electricity and other costs, such as compliance with government regulations.

### The ACCC’s monitoring activities

The ACCC has issued section 60H notices to those SGG entities who did not respond to the ACCC’s voluntary information requests issued in February 2015. The ACCC will report the findings from these responses in the July 2015 Carbon Report.

The ACCC will continue to engage with bulk SGG importer/wholesalers, non-importer SGG wholesalers and SGG equipment suppliers to confirm the carbon tax repeal is reflected in SGG prices.

## Landfill

Of those entities that included a carbon tax cost component in their 2014/15 gate fees and subsequently removed these cost components after repeal, some undertook to refund customers for the carbon tax cost components they paid during the refund period. These entities have now largely completed the process of providing these refunds.

The ACCC considers that the approach to the issue of future carbon tax liabilities that will no longer eventuate in the landfill sector, as set out in the Department of the Environment’s draft Framework, is appropriate. The ACCC will continue to seek information from entities within this industry to confirm their decisions regarding the use of funds for future carbon tax liabilities that will no longer eventuate due to the repeal of the carbon tax.

Landfill facility operators are not suppliers of regulated goods so the price exploitation provisions of the CCA do not apply to them. Landfill facilities are generally operated by private companies or local councils. Many landfills did not exceed the relevant emissions threshold and therefore the operators of these landfills are not liable entities.

### Refunds provided due to the retrospective application of the carbon tax repeal legislation

The ACCC’s October 2014 Carbon Report noted that:

* some landfill facility operators that are liable entities had not passed through any carbon tax costs in their landfill facilities’ gate fees during the life of the carbon tax
* some did not include carbon tax cost components in their gate fees from 1 July 2014 in anticipation of the carbon tax being repealed during the 2014/15 financial year, and
* some included a carbon tax cost component in the gate fees they set for the 2014/15 financial year and subsequently removed the carbon tax cost components after the carbon tax was repealed.[[51]](#footnote-51)

Of those entities that included a carbon tax cost component in their 2014/15 gate fees and subsequently removed the carbon tax cost components after repeal, some undertook to refund customers for the carbon tax cost components they paid during the refund period. These entities have now largely completed the process of providing these refunds.

Across all entities that chose to provide such refunds, the average refund amount and total refund amounts, provided to each customer type is as follows:

Table 7: Refunds provided due to retrospective application of the carbon tax repeal legislation for carbon tax components paid during the refund period

|  |  |  |
| --- | --- | --- |
| Customer Type | Average refund provided | Total refunds provided |
| Customers on contracts | $20 181.45 | $40 362.89 |
| Account customers | $911.28 | $7 290.24 |
| Identifiable cash customers[[52]](#footnote-52) | $300.38 | $300.38 |
| Unidentifiable cash customers[[53]](#footnote-53) | $137.19 | $274.38 |

As noted in the October 2014 Carbon Report, those entities who did not refund customers for the carbon tax cost components paid during the refund period instead decided to utilise the money in ways such as funding improvements or redevelopments to their landfill facility, funding the installation and operation of emissions abatement measures, or to set gate fees for the 2015/16 financial year lower than they otherwise would have been.

### Money collected for future carbon tax liabilities that will no longer eventuate

The January 2015 Carbon Report noted that the Department of the Environment had released a consultation paper on 22 December 2014 regarding a proposed industry-wide voluntary framework for the use of money collected by landfill operators for future carbon tax liabilities that will no longer eventuate (the draft Framework). A significant number of landfill operators who are liable entities have advised the ACCC that they are waiting for the Department of the Environment to settle the draft Framework before making a decision as to what they should do with the excess funds.

The consultation paper invited submissions from industry stakeholders on the proposed terms of the draft Framework. The period for submitting responses to the consultation paper closed on 12 February 2015. The Department of the Environment has published the submissions it has received, which can be viewed at [the Department of the Environment's website](http://www.environment.gov.au/climate-change/repeal-carbon-tax/consultation-landfill-operators).

The Department of the Environment is working further on the draft Framework in light of submissions received during the consultation period with a view to making a recommendation to the Minister for the Environment and to the landfill industry in **May 2015.**

### The ACCC’s monitoring activities

In its monitoring role, the ACCC will continue to seek information from entities within this industry. Subsequent information gathering will focus on confirming entities’ decisions regarding the use of any money collected for future carbon tax liabilities that will no longer eventuate. Although the price exploitation provisions of the CCA do not apply to the landfill industry, the ACCC expects landfill operators to be transparent with customers and rate-payers about how they will deal with this money.

The ACCC will also continue to monitor the industry for complaints.

## Construction material manufacturing

The ACCC is satisfied that, where carbon-tax related price increases were made, there is no information available to indicate that any liable entities in the construction material manufacturing sector are continuing to charge prices that include any carbon tax components. The ACCC does not consider that any of those entities’ representations or conduct could be held to be misleading.

Entities in this sector are not suppliers of regulated goods so the price exploitation provisions of the CCA do not apply to them. However they are prohibited from making any misrepresentations about the effect of the carbon tax or its repeal.

### Bricks and related products

In the January 2015 Carbon Report, the ACCC considered it was unclear whether recent adjustments to the prices for bricks and related products reflected the pass through of any cost savings from the carbon tax repeal, and as such whether any carbon tax component remained in the prices for those products post repeal. The ACCC’s monitoring focused on two entities in this sector because of representations they made (to the general public and its customers in one case, and to customers in the other case) prior to the introduction of the carbon tax in 2012. The entities’ statements and/or conduct after the repeal of the carbon tax appeared to be potentially inconsistent with the representations made prior to the introduction of the carbon tax. The ACCC has now obtained further information from these brick manufacturing entities to better understand these issues.

The ACCC has recently noted that, quite apart from the effects of the carbon tax, the brick industry has been undergoing a long term shift in demand due to the shift to multi-residential dwellings which has placed pressure on the returns that brick manufacturers have been able to achieve.[[54]](#footnote-54)

In the January 2015 Carbon Report, the ACCC noted that one entity:

* made public statements prior to the commencement of the carbon tax that it intended to raise its prices due to the carbon tax
* raised its prices shortly before the commencement of the carbon tax, and
* in communicating those price rises to its customers, advised them there would be no separate price increase when the carbon tax commenced.

The ACCC considered that, in these circumstances, it was unclear whether the entity’s prices might have included carbon tax components. This entity is Brickworks Ltd and its related brick manufacturing companies (Brickworks).

Brickworks has advised the ACCC that in calculating the price rises it sought to implement at or about the time of the commencement of the carbon tax, it took into account all of its increased costs, including carbon and higher energy costs, and considered price increases which would cover those costs. However, after examining prevailing market conditions, it determined that attempting to increase these prices to cover all these costs would result in significantly lower sales volumes, and therefore lower revenue. It therefore raised its prices to lower levels, which it advises did not cover its carbon tax costs. Given this, Brickworks reiterated its claim that its prices at the time of the carbon tax repeal contained no carbon tax component.

Brickworks has clarified that in stating to customers that there would be no separate price rise when the carbon tax commenced, it intended to convey that there would be no price rise specifically attributed to the carbon tax. It claims that almost none of its customers understood its price rises as being linked to the carbon tax, with only one customer seeking a pricing adjustment due to the repeal. Brickworks did not adjust this customer’s prices on the basis that its prices at the time of repeal contained no carbon tax component.

Brickworks has stated to the ACCC that the carbon tax and its repeal have had relatively little impact on its overall costs and profitability compared to the non-carbon tax related increases to its energy, wages, fuel and other input costs. Over the life of the carbon tax, its prices and sales volume both rose, but not sufficiently to cover decreases in profitability which occurred in previous years. Brickworks continues to be concerned about the long term viability of its business, and to focus on the long term task of margin repair.

In the January 2015 Carbon Report in relation to another brick manufacturer, Boral, the ACCC stated that it was not clear whether its brick business had passed on all cost savings arising from the carbon tax repeal. Since that time, Boral has provided further details regarding the effect of the carbon tax repeal on its costs and about its price setting processes.

Boral has outlined the factors it considered in setting its prices after the repeal, which included:

* changes to its costs, in particular:
* minor savings from the carbon tax repeal, and
* significant increases to other costs
* the demand for its products
* the market price for such products
* the impact of previous price rise attempts on actual prices paid, and
* the overall profitability of the business.

Boral has advised its customers that its list prices for bricks will rise at varying times depending on location in early 2015. Following its consideration of the factors noted above, Boral concluded that reducing its list prices to reflect the minor savings from the carbon tax repeal would not have been reasonable or sustainable. It claims that, if it had lowered its prices following the repeal, its list prices would then have needed to rise by more than is currently forecast or to rise sooner than early 2015, or both.

The ACCC considers that this outcome is consistent with information provided to the ACCC by other entities in the construction materials sector, and by manufacturers generally, that the repeal of the carbon tax has meant that prices have not risen as much as they otherwise would have. Savings from the carbon tax repeal have offset rises in other costs, as well as price rises caused by rising demand for some construction materials.

In light of the further information received from these entities, the ACCC is now satisfied that, where carbon tax-related price increases were made, there is no information available to indicate that any liable entities in this sector are continuing to charge prices that include any carbon tax components. The ACCC does not consider that any of those entities’ representations or conduct could be held to be misleading.

### The ACCC’s monitoring activities

The ACCC will cease reporting on this sector in future monitoring reports, but will continue to monitor for complaints and to ensure misrepresentations do not occur.

## Domestic passenger air transport services

In previous reports the ACCC has indicated it was assessing the representations made by the domestic airlines regarding the effect of the carbon tax repeal on airfares. The ACCC has now completed that assessment of the representations made by Qantas and Virgin about the effect of the carbon tax repeal on airfares and does not propose any further action.

The ACCC found that the airlines attempted to recover the cost of the carbon tax by increasing their airfares and were likely to have had some, albeit limited, success in recovering these costs in the period immediately after these fare increases were applied. However, the ACCC considers these fare increases were likely to have been transitory, and not enduring over the period that the carbon tax was in effect.

As domestic airlines are not suppliers of regulated goods, the price exploitation provisions of the CCA do not apply to them. Instead, the ACCC assessed the representations made by the airlines to determine if they may be misleading or deceptive.

### Representations regarding the carbon tax repeal

On 2 February 2012, prior to the introduction of the carbon tax, Qantas issued a media release stating that it would impose a distance based surcharge to recover the cost of the carbon tax.[[55]](#footnote-55) On 9 July 2014, while the carbon tax was being repealed, Qantas stated that:

‘…We were not able to recover the cost of the carbon tax through price increases as originally intended. Our all-inclusive fares did not rise though we did keep a small carbon surcharge on domestic fares so that we could keep track internally of the cost of the tax. This has now been removed but there won’t be any change to the prices that customers pay as it’s an administrative step only.’[[56]](#footnote-56)

On 11 July 2011, Virgin stated that it would be unable to absorb the cost of the carbon tax and would pass that cost on to consumers in full.[[57]](#footnote-57) As noted in the ACCC’s October 2014 Carbon Report, Virgin’s position when the carbon tax was repealed was that it had absorbed the carbon tax costs and had not added them to ticket prices.[[58]](#footnote-58)

### The ACCC’s assessment

In assessing Qantas’ representations, the ACCC sought to determine whether Qantas’ final fares had increased due to the cost of the carbon tax. If this were the case, Qantas’ statement that fares had not increased and hence, would not fall upon the repeal of the carbon tax would likely be misleading or deceptive. The ACCC found that Qantas and Virgin each planned to recover carbon tax costs by raising fares and each took steps to implement their plans, including initially increasing fares for travel after 1 July 2012. However, around the same time that the carbon tax took effect the airlines added significant capacity (flights) in the domestic market in terms of number of seats flown. Under pressure to fill these extra seats, the airlines reduced fares which effectively removed most or all of the carbon tax related fare increases they had previously implemented.

While the airlines claim that they did not recover carbon tax costs while the carbon tax was in effect, the ACCC assessment is that they are likely to have had some, albeit limited, success in recovering carbon tax costs from consumers in the period immediately after these fare increases were applied, including on fares charged for travel taking place after 1 July 2012, but booked before that date.

It appears that the airlines continued to make significant capacity additions over most of the two year period in which the carbon tax was in effect. Based on material produced to the ACCC under its monitoring role (which the ACCC is unable to disclose), it is likely that there were limited opportunities for the airlines to resume their attempts to recover carbon tax costs by raising fares (or deciding not to pass through fare reductions) as this would have led to more empty seats and potentially less revenue.

The ACCC also found that Qantas recouped some of its carbon tax costs (other than by initially raising its fares) by effectively reducing discounts to corporate customers while the carbon tax was in effect. Because fees and surcharges are excluded from the calculation of these discounts, the introduction of Qantas’ carbon tax surcharge had the effect of reducing the proportion of the total fare to which the discount applied. When the carbon tax was repealed, the ACCC understands that Qantas took steps to restore the proportion of the fare to which corporate discounts were applied.

The Qantas 9 July 2014 media release may have given consumers the impression that its fares were wholly unaffected by its efforts to recover the cost of the carbon tax, or that it absorbed the whole of that cost. In the ACCC’s opinion, this is unlikely to be the case, given that some consumers are likely to have paid higher fares in the period immediately after Qantas’ fare increases were applied and corporate customers contributed to Qantas’ recoupment of some of its carbon tax costs because they received lower discounts. The ACCC considers that Qantas failed to adequately qualify the statements in its 9 July 2014 media release.

However, the ACCC acknowledges that any fare increase resulting from the carbon tax surcharge is likely to have been transitory and not enduring over the period that the carbon tax was in effect. The ACCC also understands that Qantas has restored the proportion of the fare to which corporate discounts were applied as part of the process of removing its carbon tax surcharge. As a consequence, the ACCC considers it unlikely that significant consumer harm resulted from Qantas’ representations and will therefore be taking no further action.

The ACCC has obtained information from Virgin and conducted an assessment of Virgin’s representations. The ACCC considers it likely that Virgin absorbed something less than a hundred per cent of its carbon tax costs. However, the ACCC accepts that Virgin’s attempts to recover its carbon tax costs were abandoned long before the carbon tax was repealed. Based on its assessment, the ACCC does not have concerns regarding Virgin’s representations that it had absorbed the cost of the carbon tax and not added it to ticket prices. The ACCC will be taking no further action.

# Compliance

The ACCC’s role in the March 2015 quarter has focused on seeking confirmation from entities about the pass through of carbon tax repeal cost savings and monitoring price movements to determine the impact of the carbon tax repeal on prices.

In the March 2015 quarter, the ACCC:

* met with one stakeholder
* sent 46 price monitoring requests to entities in the SGG and landfill sectors
* released one publication on 29 January 2015: [Carbon tax price reduction obligation: the ACCC's operations December 2014 quarter](https://www.accc.gov.au/publications/carbon-tax-price-reduction-obligation-quarterly-reports-on-the-acccs-operations/carbon-tax-price-reduction-obligation-the-acccs-operations-december-2014-quarter), and
* received the following carbon tax related complaints and enquiries:

Table 8: March 2015 quarter complaint summary – conduct

|  |  |  |  |
| --- | --- | --- | --- |
| Alleged Conduct | Description | This Period | Total Since 1 July 2014 |
|
| False or misleading representations, or  misleading or deceptive conduct | In relation to the effect of the carbon tax/repeal  (s 60K CCA, ss 18, 29 ACL) | 9 | 43 |
|
| Price exploitation | Failure to pass on all savings from carbon tax repeal (s 60C) | 36 | 194 |
| Scams related to carbon tax | Scams related to the carbon tax/repeal | 0 | 27 |
| General carbon tax related enquiries | Requests for information or guidance about the carbon tax/repeal | 11 | 198 |
| General carbon tax complaints | General complaints about the carbon tax/repeal | 12 | 212 |
| **Total** |  | **68** | **674** |
| Small Business | Subset of above related to small business | 5 | 76 |

Table 9: March 2015 quarter complaint summary - industry

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Industry | | This Period | Total Since 1 July 2014 |
|  |
| Regulated | Energy | Electricity | 24 | 170 |
| Natural gas | 1 | 32 |
| Unspecified | 25 | 207 |
| Synthetic greenhouse gas | | 4 | 55 |
| Unregulated | Waste or landfill | | 2 | 19 |
| Transportation or fuel | | 1 | 17 |
| Manufacturing or construction | | 3 | 16 |
| Government | | 5 | 81 |
| Retail | | 0 | 5 |
| Food and grocery | | 0 | 6 |
| Other | | 3 | 66 |
|  | **Total** | | **68** | **674** |

As anticipated, the majority of contacts received by the ACCC related to the electricity and natural gas industries. This quarter, contacts mainly focused on consumers inquiring about their energy bills, such as whether their discounts were in line with expectations.

The number of contacts was significantly lower than the number received in the December 2014 quarter. The ACCC has observed a steady decline in the number of complaints received since the September 2014 quarter. The number of contacts was also significantly lower than the number received in the March 2013 quarter, after the introduction of the carbon tax.

In the January 2015 Carbon Report, the ACCC noted that it would cease monitoring entities in the industries that the ACCC was satisfied had passed on carbon tax repeal cost savings. However, the ACCC will continue to monitor for complaints in all industries.

# Enforcement

The ACCC continues to be pleased with the high levels of compliance with the price reduction obligation and consequently, has not undertaken any enforcement activities in the March 2015 quarter.

The ACCC has not issued any notices to aid prevention of price exploitation in relation to the carbon tax repeal pursuant to section 60E of the CCA.

The ACCC has also been assessing statements made by additional entities that are not subject to the price exploitation provisions to ensure that they are not engaging in misleading or deceptive conduct about the impact of the carbon tax repeal on their prices. At this time, the ACCC does not consider that any additional entity has made misleading or deceptive statements about the impact of the carbon tax repeal on their prices.

On 2 April 2015, the Federal Court of Australia handed down judgment in ACCC v Actrol Parts Pty Ltd.[[59]](#footnote-59) The Court found that Actrol had made false or misleading representations in letters to its customers and on its website in 2012, by attributing significant price increases of certain SGGs to the implementation of the carbon tax, changes in input costs and general market conditions. The Court found that Actrol had in fact increased its prices to increase its margins and earnings.

The Court ordered Actrol to:

* pay a pecuniary penalty of $520 000
* send a letter to its customers advising of the outcome of the ACCC’s court proceedings, publish the letter on its website and publish a corrective notice in the newspaper
* implement a competition and consumer compliance program
* refrain from engaging in similar conduct for a period of three years, and
* contribute $50 000 to the ACCC’s costs of the proceedings.

# Annexure 1: Glossary

|  |  |
| --- | --- |
| Abatement measures | Measures an entity has put in place in order to reduce its direct emissions and therefore its direct carbon tax costs. |
| ACCC | The Australian Competition and Consumer Commission. |
| ACL | The Australian Consumer Law contained in Schedule 2 of the CCA. |
| Additional entities | Entities which made public statements about the impact of the carbon tax on their prices, upon, or during, implementation and are not suppliers of regulated goods or liable entities. |
| AEMC | The Australian Energy Market Commission. |
| AEMO | The Australian Energy Market Operator operates the wholesale and retail electricity and natural gas markets across eastern and south-eastern Australia. |
| AER | The Australian Energy Regulator. |
| Carbon tax | The carbon price mechanism which came into effect on 1 July 2012. It was a cap-and-trade emissions trading scheme, beginning with a three-year fixed price and then transitioning to a full emissions trading scheme in 2015. It applied to entities producing more than 25 000 tonnes per year of CO2-e emissions. |
| Carbon tax levy | SGGs listed under the Kyoto Protocol were subject to an equivalent carbon tax levy, applied through the Ozone Protection and Synthetic Greenhouse Gas Management Act 1989 (Cth). The carbon tax levy was based on the carbon price tax and the global warming potential of each gas relative to carbon dioxide. |
| Carbon tax removal substantiation notice | A notice issued by the ACCC pursuant to section 60FA of the CCA, to an electricity retailer or producer, a natural gas retailer or bulk SGG importer that sells to customers, requiring the entity to give to the ACCC a written statement that explains:   * how the carbon tax repeal has affected, or is affecting, the entity’s regulated supply input costs, and * how reductions in the entity’s regulated supply input costs that are directly or indirectly attributable to the carbon tax repeal are reflected in the prices charged by the entity for regulated supplies of electricity, natural gas or synthetic greenhouse gas.   The entity must provide the ACCC with information that substantiates the explanation set out in the statement, and/or produce to the ACCC documents that substantiate the explanation set out in the statement. |
| Carbon tax removal substantiation statements | A written statement pursuant to section 60FD of the CCA from an electricity retailer or producer, natural gas retailer or bulk SGG importer that sells to customers, provided to the ACCC that sets out:   * the entity’s average annual percentage price basis, or an average annual dollar price basis of the entity’s cost savings that have been, are, or will be, directly or indirectly attributable to the carbon tax repeal, and * that have been, are being, or will be, passed on to each class of its customers during the financial year that began on 1 July 2014. |
| Carbon tax repeal transition period | Under section 60A of the CCA, means the period:   * beginning at the start of 1 July 2014, and * ending at the end of 30 June 2015. |
| CCA | Competition and Consumer Act 2010 (Cth). |
| Direct carbon tax cost | An entity’s financial liability under the carbon tax arising from emissions produced by that entity. |
| Electricity on-sellers | Private electricity networks that purchase the aggregate electricity usage of the site in bulk (or have another entity do so on their behalf) and on-sell it to the site’s occupants, without being authorised as an electricity retailer. |
| IPART | The Independent Pricing and Regulatory Tribunal is the independent regulator that determines the maximum prices that can be charged for certain retail energy, water and transport services in New South Wales, and also determines New South Wales local government rates. |
| kWh | Kilowatt-hour. |
| Liable entity | An entity listed on the Liable Entities Public Information Database for the 2012/13 and/or 2013/14 financial years (within the meaning of the Clean Energy Act 2011 (Cth), which has since been repealed). |
| MWh | Megawatt hour. |
| NEM | The National Electricity Market is Australia’s principal electricity grid. The NEM covers southern and eastern Australia. Electricity generators in the NEM sell their electricity through a central pool. The market sets a separate spot price for each of the five NEM regions: Queensland, New South Wales, Victoria, South Australia and Tasmania. |
| NGER | The National Greenhouse and Energy Reporting is the framework for corporations to report on greenhouse gas emissions, energy use and energy production. |
| Part V of the CCA | Carbon tax price reduction obligation legislation now contained in the CCA. |
| Price | Under section 60A of the CCA, in relation to a supply, includes:   * a charge of any description for the supply, and * any pecuniary or other benefit, whether direct or indirect, received or to be received by a person for or in a connection with the supply. |
| Price exploitation provisions | The provisions contained in Division 2 of Part V of the CCA. The price exploitation provisions prohibit suppliers of regulated goods from not passing through all of their cost savings that are directly or indirectly attributable to the carbon tax repeal (see section 60C), and provide a penalty of 250 per cent of the cost savings not passed through, in contravention of section 60C (see section 60CA).  The price exploitation provisions also allows the ACCC to issue a notice to an entity that is considered to have engaged in price exploitation in relation to the carbon tax repeal (see section 60D), and to issue a notice to aid prevention of price exploitation in relation to the carbon tax repeal (see section 60E). |
| Price monitoring | Pursuant to section 60G of the CCA the ACCC may monitor prices to assess the general effect of the carbon tax repeal on prices charged by entities for supplies, in the carbon tax repeal transition period, of relevant goods. |
| Price reduction obligation | Part V of the CCA that was inserted into the CCA by the Clean Energy Legislation (Carbon Tax Repeal Act) 2014. The carbon tax price reduction obligation legislation contains all the substantive provisions of the CCA that specifically apply to the repeal of the carbon tax. |
| Refund period | The period from 1 July 2014 to the date that a given entity removed the carbon tax component from its prices, given the retrospective application of the carbon tax repeal legislation. See definition of ‘retrospective application’. |
| Regulated goods | Natural gas, electricity, SGGs and SGG equipment (section 60B of the CCA). Other goods may be specified by legislative instrument by the Minister pursuant to subsection 60B(2). |
| Regulated supply | Supply of regulated goods that occurs during the carbon tax repeal transition period. |
| Relevant goods | Regulated goods and other goods of a kind specified in a legislative instrument by the Minister pursuant to subsection 60G(12) of the CCA. |
| Reticulated gas | LPG supplied by piped gas network to households. |
| Retrospective application | The carbon tax repeal legislation will affect carbon liabilities dating back to 1 July 2014, although the legislation was passed by Parliament on 17 July 2014. For this reason the carbon tax repeal legislation has been commonly referred to as having a ‘retrospective application’. When the word ‘retrospective’ is used in this report it should be understood in its common usage rather than its technical legal usage. Retrospective in its technical legal usage refers to legislation taking effect at an earlier point of time before it was passed. |
| Scope 1 carbon tax costs | Emissions created by combustion or consumption of natural gas. |
| Scope 3 carbon tax costs | Other indirect emissions related to the extraction and production of natural gas passed through to natural gas retailers. |
| SGG | Synthetic greenhouse gas or commonly referred to as refrigerant gases, which are used in refrigerators and air conditioning units, means a hydrofluorocarbon, a perfluorocarbon or sulfur hexafluoride (section 7 of the Ozone Protection & Synthetic Greenhouse Gas Management Act 1989 (Cth)). |
| SGG equipment | Equipment which already contains synthetic greenhouse gas. Includes items such as refrigerators, automobiles and air conditioning units which will ordinarily contain synthetic greenhouse gases when imported. |
| Standing offer | A standing offer refers to a basic contract for electricity or natural gas. All retailers are required to have a standing offer and in some jurisdictions the standing offer tariff is regulated. |

1. The carbon tax price reduction obligation contained in Part V of the *Competition and Consumer Act 2010* (Cth). [↑](#footnote-ref-1)
2. Entities refers to the suppliers of regulated goods, liable entities listed on the Liable Entities Public Information Database for the 2012/13 and/or 2013/14 financial years, and additional entities that made public statements about the impact of the carbon tax on their prices, upon, or during, implementation. [↑](#footnote-ref-2)
3. The estimated average cost savings are based on retailers’ standing offers and typical consumption as at mid-2014. These consumption values vary between states and have decreased over the past few years. Individual customers’ cost savings will depend on the customer’s tariff structure, location and consumption. [↑](#footnote-ref-3)
4. The estimated average cost savings are based on retailers’ standing offers and typical consumption values, which vary markedly between jurisdictions. Individual customers’ cost savings will depend on the customer’s tariff structure, location and consumption. [↑](#footnote-ref-4)
5. The ACCC’s [January 2015 Carbon Report](http://www.accc.gov.au/system/files/Carbon%20tax%20price%20reduction%20obligation%20the%20ACCC%E2%80%99s%20operations%20during%20the%20December%202014%20quarter%20-%20PDF_0.pdf), pages 28 to 29. [↑](#footnote-ref-5)
6. Andrew Potts, *Gold Coast City Council saves $4.7M after Abbott Government axes carbon tax*, Gold Coast Bulletin, 17 March 2015, viewed 19 March 2015, [http://www.goldcoastbulletin.com.au/news/gold-coast-city-council-saves-47m-after-abbott-government-axes-carbon-tax/story-fnj94j0t-1227266312389.](http://www.goldcoastbulletin.com.au/news/gold-coast-city-council-saves-47m-after-abbott-government-axes-carbon-tax/story-fnj94j0t-1227266312389) [↑](#footnote-ref-6)
7. Gold Coast City Council, *Adopted Report of the Special Budget Committee Meeting, 5 November 2014*, viewed 17 March 2015, <http://www.goldcoast.qld.gov.au/documents/ma/budget-20141105-adopted_report.pdf>. [↑](#footnote-ref-7)
8. Gold Coast City Council, *Ratepayers to receive refund due to carbon tax repeal*, 6 November 2014, viewed 17 March 2015, <http://www.goldcoast.qld.gov.au/ratepayers-to-receive-refund-due-to-carbon-tax-repeal-24007.html>. [↑](#footnote-ref-8)
9. AGL, EnergyAustralia and Origin. [↑](#footnote-ref-9)
10. As a result of further data collection in January 2015 some issues with previous rounds of data collection were identified and corrected. This has resulted in some minor variation in the figures for March-April to July-August; and July-August to October when compared with Graph 4 of the ACCC’s January 2015 Carbon Report. [↑](#footnote-ref-10)
11. The average price changes are not weighted by number of customers. [↑](#footnote-ref-11)
12. The pricing order specifies the maximum price that can be charged to customers that consume less than 750MWh of electricity per annum. [↑](#footnote-ref-12)
13. The ACCC’s [January 2015 Carbon Report](https://www.accc.gov.au/system/files/Carbon%20tax%20price%20reduction%20obligation%20the%20ACCC%E2%80%99s%20operations%20during%20the%20December%202014%20quarter%20-%20PDF_0.pdf), pages 15-16. [↑](#footnote-ref-13)
14. Two retailers have been excluded from this analysis as a full data set was not available in March-April 2014. [↑](#footnote-ref-14)
15. The ACCC’s [January 2015 Carbon Report](https://www.accc.gov.au/system/files/Carbon%20tax%20price%20reduction%20obligation%20the%20ACCC%E2%80%99s%20operations%20during%20the%20December%202014%20quarter%20-%20PDF_0.pdf), page 17. [↑](#footnote-ref-15)
16. As electricity flows through the transmission and distribution networks, energy is lost due to electrical resistance and the heating of conductors. The losses are equivalent to approximately 10 per cent of the total electricity transported between power station and market customers. For more information see <http://www.aemo.com.au/Electricity/Market-Operations/Loss-Factors-and-Regional-Boundaries>. [↑](#footnote-ref-16)
17. Note that price monitoring data was not always comparable. Some retailers indicated that they implemented a single price change to remove carbon tax components and also adjusted prices for other factors. As such, the ACCC cannot clearly observe the carbon tax component being removed. [↑](#footnote-ref-17)
18. Figures are GST exclusive. Individual customers’ experience will vary between retailers. [↑](#footnote-ref-18)
19. The estimated average percentage savings are calculated by reference to the retailers’ standing offer prices in effect in July-August 2014 prior to retailers implementing the carbon tax repeal in their prices. For those retailers who implemented a single price change to remove carbon tax components and adjust prices for other factors, the standing offer prices are those collected by the ACCC for March-April 2014. [↑](#footnote-ref-19)
20. The consumption values used are 4050kWh in Victoria, 5310kWh in New South Wales, 5400kWh in Queensland, 5,600kWh in Western Australia, 5980kWh in South Australia, 6730kWh in the Australian Capital Territory, 6750kWh in the Northern Territory and 8080kWh in Tasmania. These values are discussed in the next sections of the report. [↑](#footnote-ref-20)
21. The price per tonne for carbon emissions was due to increase on 1 July 2014 if the carbon tax had not been repealed. [↑](#footnote-ref-21)
22. See the ACCC’s [January 2015 Carbon Report](http://www.accc.gov.au/system/files/Carbon%20tax%20price%20reduction%20obligation%20the%20ACCC%E2%80%99s%20operations%20during%20the%20December%202014%20quarter%20-%20PDF_0.pdf), page 18 for information regarding commercial & industrial customers and the meaning of ‘carbon inclusive’ contracts. [↑](#footnote-ref-22)
23. The retailer with a regulatory obligation to supply new customers in an area. [↑](#footnote-ref-23)
24. Alviss Consulting, *Residential electricity and gas prices from January 2012 to January 2015, a report to the ACCC*, March 2015. [↑](#footnote-ref-24)
25. The consumption values chosen are based on the ACIL Allen Consulting report for the AER, *Electricity Bill Benchmarks for residential customers*, October 2014 for 3 person households with reticulated gas (except in the Northern Territory) and no swimming pool. For Western Australia, the annual consumption level is based on the Independent Market Operator’s 2014 SWIS Electricity Demand Outlook, July 2014. [↑](#footnote-ref-25)
26. Except for the Northern Territory. [↑](#footnote-ref-26)
27. See [Aurora Energy's frequently asked questions about the carbon tax repeal](http://www.auroraenergy.com.au/your-home/carbon-tax/frequently-asked-questions-about-the-carbon-tax-re). [↑](#footnote-ref-27)
28. Market offers based on seven retailers’ prices. [↑](#footnote-ref-28)
29. The standing offers are the regulated rates until New South Wales deregulated in July 2014, and the incumbent’s standing offers after that. The market offers are based on 11 retailers’ prices. [↑](#footnote-ref-29)
30. Market offers based on ActewAGL’s prices. [↑](#footnote-ref-30)
31. The average standing offers are based on the three major retailers. The market offers are based on 15 retailers’ prices. [↑](#footnote-ref-31)
32. The standing offers are the regulated rates until South Australia deregulated in February 2013, and the incumbent’s standing offers after that. The market offers are based on 12 retailers’ prices. [↑](#footnote-ref-32)
33. Market offer is based on Aurora’s Pay As You Go offer. [↑](#footnote-ref-33)
34. In New South Wales and Victoria the graph is an average of metropolitan distribution zones only. Average consumption of 6500kWh per annum has been used in all jurisdictions. [↑](#footnote-ref-34)
35. As a result of further data collection in January 2015 some issues with previous rounds of data collection were identified and corrected. This has resulted in some minor variation in the figures for March-April to July-August; and July-August to October when compared with Graph 10 of the ACCC’s January 2015 Carbon Report. [↑](#footnote-ref-35)
36. See the ACCC’s [January 2015 Carbon Report](http://www.accc.gov.au/publications/carbon-tax-price-reduction-obligation-quarterly-reports-on-the-acccs-operations), page 20. The three retailers were Aurora, Red Energy and Kleenheat. [↑](#footnote-ref-36)
37. One retailer was not included in this analysis as it was not covered by the ACCC price monitoring prior to July 2014. [↑](#footnote-ref-37)
38. In some areas, retailers adjusted the carbon tax component to be removed from prices for any residual network carbon tax costs not yet passed on to retailers. Network operators removed the carbon tax components from their prices effective from dates ranging between 1 July 2014 and 1 September 2014. Any over-recovery of carbon tax costs from 1 July 2014 to the effective date of the price change has or will be either refunded to customers in the current regulatory year or in the next regulatory year. Any over-recovery not yet refunded to retailers is minimal. [↑](#footnote-ref-38)
39. Note that price monitoring data was not always comparable. Some retailers indicated that they implemented a single price change to remove carbon tax components and also adjust prices for other factors, as such the ACCC cannot clearly observe the carbon tax component being removed. [↑](#footnote-ref-39)
40. In South Australia, Queensland and Victoria, carbon tax costs on the Envestra distribution network were generally passed on through the daily charge. For these customers there is generally an additional cost saving of 1.86c a day in Victoria, 3.4c a day in South Australia and 4.86c in Queensland. [↑](#footnote-ref-40)
41. The estimated average percentage savings are calculated by reference to the retailers’ standing offer prices in effect in July-August 2014 prior to the retailers removing carbon tax components from their prices. For those retailers who implemented a single price change to remove carbon tax components and adjust prices for other factors, the standing offer prices are those collected by the ACCC for March-April 2014. [↑](#footnote-ref-41)
42. The consumption values used are 10GJ in Queensland and Western Australia, 20GJ for New South Wales and South Australia, 40GJ for the Australian Capital Territory and Tasmania, and 60GJ for Victoria. [↑](#footnote-ref-42)
43. In New South Wales, the standing offer figures reflect the regulated rates. The market offers are based on four retailers’ prices. [↑](#footnote-ref-43)
44. For Victoria, the standing offer figures are based on the incumbent retailers’ (AGL, Origin and EnergyAustralia) standing offers across five metropolitan pricing zones. The market offers are based on eight retailers’ market offers. [↑](#footnote-ref-44)
45. South Australia deregulated in February 2013 and all South Australian standing offers prior to January 2013 are based on the regulated rate in the Adelaide price zone. The figures after deregulation are based on the incumbent (Origin Energy) standing offers. Average market offer bills are based on five retailers in South Australia. There is no data available for South Australian natural gas market offers prior to July 2012. [↑](#footnote-ref-45)
46. Average market offer bill based on two retailers in Queensland. There is no data available for Queensland natural gas market offers prior to July 2012. [↑](#footnote-ref-46)
47. In Tasmania, average market offer bill is based on Aurora and Tas Gas prices, however, neither have market offer discounts. [↑](#footnote-ref-47)
48. In the Australian Capital Territory, the figures are based on ActewAGL market offers which can be tracked back to January 2012. EnergyAustralia also has market offers in the Australian Capital Territory but has a very small market share. Origin has also started retailing in the Australian Capital Territory recently. [↑](#footnote-ref-48)
49. See footnotes 19, 20, 41 and 42. [↑](#footnote-ref-49)
50. In the January 2015 Carbon Report, the ACCC noted that one retailer had claimed that the price of one SGG was lower after the carbon tax repeal than prior to the introduction of the carbon tax. The ACCC has received no further information to confirm that claim. [↑](#footnote-ref-50)
51. The ACCC’s [October 2014 Carbon Report](https://www.accc.gov.au/system/files/Carbon%20monitoring%20report%20%20September%20quarter%202014.pdf), page 61. [↑](#footnote-ref-51)
52. Only one landfill operator reported that it pro-actively sought out identifiable cash customers and provided such customers with refunds. [↑](#footnote-ref-52)
53. Unidentifiable cash customers are customers who pro-actively sought a refund and obtained a refund upon production of a receipt. [↑](#footnote-ref-53)
54. Australian Competition and Consumer Commission, *ACCC to not oppose CSR and Boral's proposed clay brick joint venture*, 18 December 2014, viewed 20 April 2015, <http://accc.gov.au/media-release/accc-to-not-oppose-csr-and-borals-proposed-clay-brick-joint-venture>. [↑](#footnote-ref-54)
55. Qantas Airways, *Qantas’ position on the carbon tax*, 9 July 2014, viewed on 13 February 2015, <http://www.qantasnewsroom.com.au/qantas-responds/qantas-position-on-the-carbon-tax>. [↑](#footnote-ref-55)
56. Miles Godfrey, *Qantas, Virgin Australia and Woolworths refuse to reduce prices once the carbon tax is ditched*, the Daily Telegraph, 10 July 2014, viewed 18 March 2015; <http://www.dailytelegraph.com.au/news/nsw/qantas-virgin-australia-and-woolworths-refuse-to-reduce-prices-once-the-carbon-tax-is-ditched/story-fni0cx12-1226983528607>. [↑](#footnote-ref-56)
57. Virgin Australia Airlines, *Carbon price impact*, ASX Release, 11 July 2011, viewed on 12 February 2015 at <http://www.asx.com.au/asxpdf/20110711/pdf/41zq2zwxk5s874.pdf>. [↑](#footnote-ref-57)
58. Miles Godfrey, *Qantas, Virgin Australia and Woolworths refuse to reduce prices once the carbon tax is ditched*, the Daily Telegraph, 10 July 2014, viewed 18 March 2015; <http://www.dailytelegraph.com.au/news/nsw/qantas-virgin-australia-and-woolworths-refuse-to-reduce-prices-once-the-carbon-tax-is-ditched/story-fni0cx12-1226983528607>. [↑](#footnote-ref-58)
59. ACCC v Actrol Parts Pty Ltd [2015] FCA 312 [↑](#footnote-ref-59)