

# How to save on your power bills

Householders can reduce the size of their power bills by choosing wisely, writes Zoe Fielding.

**P**ower costs are soaring and prices are only going to rise further in the coming years. But it is possible to save a few hundred dollars each year by shopping around for the best deal, adopting commonsense practices and making offers such as discounts for prompt payment of bills.

NSW householders can expect to pay an extra \$340 in electricity bills on average over the next three years after the tribunal which regulates electricity approved rises of 44.62 per cent over that period.

The average Queensland family spending \$350 a quarter will see their bill go up by almost \$200 in 2010-11. South Australian households will pay about \$77 more in 2010-11 and a further \$40 on top of that each year thereafter.

Prices are also rising in other states and territories, driven by higher costs associated with the infrastructure used to deliver power, higher fuel and labour costs in generation, and the drought, which has reduced the output of hydroelectric plants and increased the use of more expensive gas-fired electricity generation.

Government proposals to introduce additional charges for carbon emissions are also expected to force prices higher.

At an individual level, how much you spend on utilities will depend on your consumption. If you live alone in a small unit, bills might be manageable but things can soon get out of hand if you share a six-bedroom house with your partner and three or four teenagers (bills pile up fast).

The most obvious way to reduce your power bills is to cut consumption. Simple acts like turning off the lights and switching off appliances when they're not in use can save money.

Electric storage hot water systems are the biggest users of electricity in most homes. Using less hot water by washing laundry in cold water where possible, fixing leaks and installing efficient shower heads will help. Energy Australia estimates

that fitting a AAA-rated, low-flow shower head can save up to \$100 a year.

Even if you have a very energy-efficient home, there is a limit to how much you can practically restrict your power consumption. Beyond that, saving money on utilities is all about getting a deal that will work best for you.

Derogulation of the energy industry in the past decade means consumers can choose which electricity or gas retailer they use to buy their supply. The actual electricity or gas still comes from the same source to your home regardless of which provider you choose. What changes is the company that purchases the supply from the generator.

It pays to compare prices offered by several retailers because they do offer different discounts and incentives. Websites such as choicewatch.com.au, which is run by consumer group Choice, and privately operated switchwise.com.au can help residents compare the rates available in their area.

Switchwise, for example, chief executive Shaun Johnson says the savings available will vary depending on where you live and how much power you use. The potential saving

"In NSW and Queensland, where the government still sets price caps that consumers can be charged, the greatest discount is around 6 per cent. In Victoria and South Australia, it's a different ball game because the government no longer puts in price caps. Everyone has a different base price and [the energy retailers] discount from these base prices," Johnson says.

"Particularly if you've got electricity and gas, there can be quite a few hundred dollars a year difference between some of the retailers and some of the smaller competitors."

Victoria's Essential Services Commission conducted a report on 2008-09 energy prices in the state and found that, based on a typical

household's power usage, customers on standard contracts would pay between \$1021 and \$1461 a year, depending on the retailer and location. The lowest annual charge for that consumption level was \$949.

Choicewatch operations manager, Janet Patterson says people in Victoria need to be sure they are comparing like with like when selecting an energy supplier.

"You need to be careful. When people offer you a 10 per cent discount, you need to be asking them 10 per cent of what they are currently paying," she says.

The greatest savings usually come via fixed-term contracts. Most retailers offer two- to three-year contracts at lower rates to those of their non-contracted supply. People who package their electricity and gas in one contract may gain even lower rates.

Some retailers may sweeten the deal by offering a sign-up bonus for joining them, such as a once-off \$30 credit on your bill.

Other plans might offer a loyalty bonus. "They might say, 'If you stay with us for 12 months we'll give you

one month's free electricity', which is fine but you won't get the benefit of it until after an entire year so it doesn't make any difference to your bills that are being paid quarterly," Patterson says.

Non-monetary benefits, such as free movie tickets or shopping vouchers, may also be on offer. Origin Energy gives its new customers a free subscription to a lifestyle or fashion magazine. For instance, these incentives won't reduce the amount you pay but it may have value all the same if it's something that is of interest to you.

As with any contract, the catch is that if you sign up with one retailer then find the service levels are not up to scratch or the prices that others are offering become more attractive, it can be difficult to move again. You might also be charged an early termination fee, although this is unlikely to be much more than \$100 or so.

In NSW, there's no great disadvantage to being locked into a contract because retailers only change their rates annually but in Victoria retailers can and do raise their rates when they feel like it.

Most of the Victorian retailers lifted their rates in January but this does not mean the charges will remain stable for the rest of the year.

Patterson says, "It's rare to pay a connection fee for electricity unless you're moving into a new home. These charges are typically set by the distributor—the company that owns the physical poles and wires in your area—rather than the retailer. Most of the retailers will pass the connection costs on to the consumer but there are a few that add an extra charge of their own."

Once you've selected the provider, you might be able to cut costs by making sure you keep on top of bills. Red Energy, which operates in Victoria, NSW and South Australia, offers a 5 per cent discount to customers who pay their bills on time. TRUenergy gives an 11 per cent rebate to customers who pay by direct debit.

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## BRIGHT SPARKS GO GREEN AT A COST

Zoe Fielding

Cost might not be the sole consideration when signing up with an electricity provider. Many energy retailers allow the environmentally-conscious to buy power generated from renewable sources such as wind, solar and hydro.

While private companies offer this so-called GreenPower, the government runs the accreditation program to ensure consumers' money is really going into renewable energy.

There are about 170 generators included in the program. They must comply with certain conditions to qualify for accreditation. For example, the facilities used to produce the electricity must have been built since 1997.

It's intended to encourage the development of renewable energy facilities. But it also means that there are some environmentally friendly generators that are not included in the program. Red Energy, for instance, sources its electricity supply mainly from the Snowy Hydro scheme, which was completed in 1974 and is not included even though it is a clean and renewable source.

When you buy GreenPower the electricity that comes into your home is the same as if you had bought from a coal-fired power generator but it's a renewable energy company that gets paid for it. This fact will be a relief for customers of Jackgreen Energy, an electricity company that differentiated itself on selling GreenPower. It went into administration on December 18, 2009. Despite the company's woes, its customers' power supply continued uninterrupted and their accounts have been transferred to other electricity retailers.

The cost of GreenPower vary between providers but the matter between retailer you're with, you will pay more.

In the past, retailers used GreenPower to claw back margins from consumers, so the costs were higher.

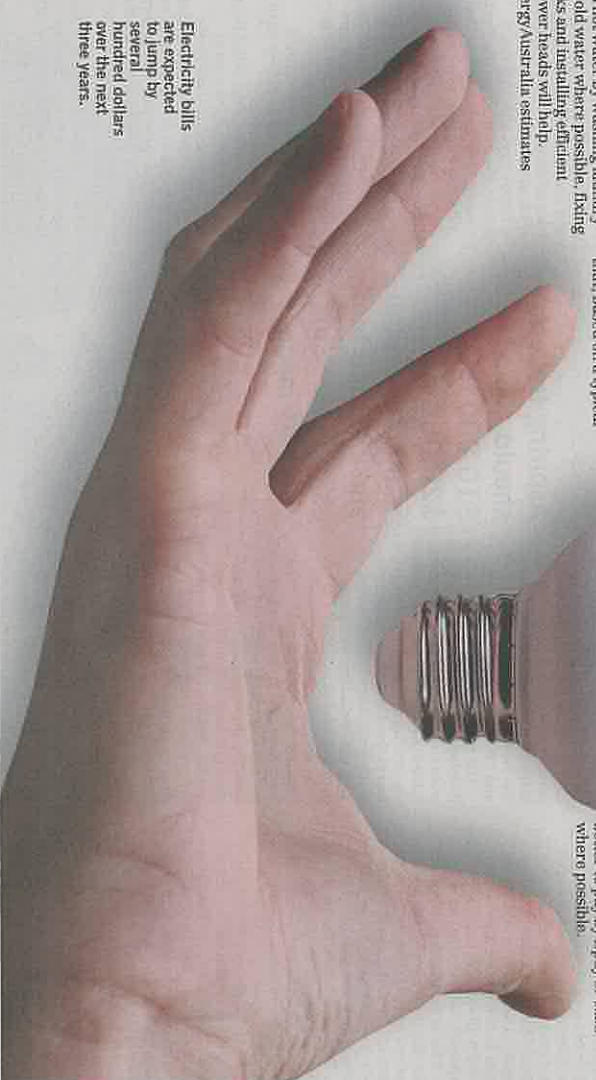
Switchwise.com.au chief executive Shaun Johnson says this is no longer an issue and prices have come down. Most consumers can now get 25 per cent GreenPower for about the overall cost of a non-GreenPower plan but [you] opt for 100 per cent GreenPower if you could still be costly.

Some retailers charge a weekly fee for GreenPower. The highest levy is about \$8 a week or \$400 a year. Other retailers charge by the kilowatt-hour. Under this model, if the standard rate is 20¢ per kilowatt-hour, you might have to pay 25¢ for 100 per cent GreenPower.

"If you are living in a one- or two-bedroom apartment and are not using electricity a lot you can probably buy 100 per cent GreenPower for not too much more," Johnson says. "But if you're in a four- or five-bedroom house with a couple of kids and using lots of energy it could be quite a few hundred dollars extra a year."

There are about 900,000 households in Australia that have GreenPower, just over 10 per cent of all households.

Johnson says it's hard to see the numbers growing unless the prices reduce further.



Electricity bills are expected to jump by several hundred dollars over the next three years.