

Energy Action Price Index (Business)

FREQUENTLY ASKED QUESTIONS

What is the Energy Action Price Index?

It is an index used to represent the commodity price of retail electricity. It aims to capture current market conditions by taking a snapshot of electricity price data.

Where does the data come from?

The data is sourced from Energy Action's Australian Energy Exchange (AEX). The AEX is an online reverse auction platform where electricity retailers actively bid on retail electricity prices.

To represent the market price, the index uses only the lowest priced bid from each retailer in each auction. An algorithm is then used to condense AEX retail bids into a daily index value.

What price data does the Energy Action Price Index include?

The data includes energy rates only exclusive of all distribution and transmission costs including electrical losses, the cost of environmental certificates that the retailer is obliged to purchase for the promotion of renewable energy and energy efficiency schemes, market and metering charges. It is also exclusive of costs under the carbon tax.

What is a Standard Retail Contract?

A Standard Retail Contract is a contract that commences in six months' time and runs for two and a half years. This is a commonly requested contract period for Energy Action customers.

What does the Energy Action Price Index tell me about price?

The index represents the average price of energy under a Standard Retail Contract. It is calculated daily from bids received from retailers participating in the Australian Energy Exchange. Not all bids will be for contracts covering the term of a Standard Retail Contract and an algorithm is used to extract the relevant pricing data from the retailer bids and construct the Index. In doing this only the lowest prices received for each auction conducted through the Australian Energy Exchange are used.

As each auction is for loads of different characteristics (e.g. different peak and off peak MWh) the daily index value uses a standard weighting of 53% for peak/shoulder periods and 47% for

off peak periods. This weighing represents the load characteristics of a typical Energy Action customer.

The index can be used as a tool to comment on current and past pricing conditions generally prevailing in the market. It cannot be viewed as indicative of current or historical prices specific to an individual customer.

Does the index represent the best price Energy Action can achieve for a customer?

No, while the index uses only the lowest bids received for each auction this will not necessarily represent the price that any specific customer would have received on that day. Actual customer prices are dependent on the actual commencement date and term of the contract and on the actual quantity of peak period and off peak period energy used at site.

What is the Australian Energy Exchange (AEX)?

The AEX is an energy procurement service supplied by Energy Action. The Exchange allows energy retailers to competitively bid in an online reverse auction for the right to supply a consumer.

The Auction specification will vary depending on the consumers load type, size, location and contract duration.

How do I convert from \$/MWh to c/kWh?

$\$1/\text{MWh} = 0.1 \text{ c/kWh}$. For example $\$50/\text{MWh} = 5 \text{ c/kWh}$.

Is there an index for Western Australia, Tasmania and the Northern Territories?

Reporting options are available but due to low liquidity in these markets indices are not currently published.

Why was the index for South Australia redefined as from 1st July 2018?

From early 2016 to mid 2018 market conditions in South Australia favoured shorter term contracts. During that period the EAPI for South Australia was calculated for a standard retail contract of 12 months duration commencing in two months' time. Since mid 2018 we have seen more activity in longer term contracts in South Australia and accordingly we have increased the duration of the standard contract in that state to one of 30 month's duration commencing 6 months hence. This puts calculation of the EAPI for South Australia on the same

basis as the EAPIs for NSW, Victoria and Queensland the calculations of which remain unchanged. We have made this change retrospectively from 1st July 2018 in order to show a reasonable length of history for 30 month contract. Energy Action may re-define calculation of the EAPI from time to time as required by market conditions.