

# Methodology for determining the median retail market offer

31 July 2024

Under amendments to section 77(5) of the *Residential (Land Lease) Communities Act 2013* (the Land Lease Act), IPART is required to determine the median retail market offer (median retail offer) for residential customers in each distribution district in NSW at least once every 12 months.

This fact sheet explains our methodology for determining the median retail offer. Our methodology incorporates feedback we received from stakeholders as part of our [2023-24 Review of the Future of Embedded Networks in NSW](#) and takes into account requirements in the Land Lease Act.

Our methodology includes 4 steps:

1. Downloading data from Energy Made Easy
2. Cleaning and excluding offers
3. Calculating annual bills for each offer
4. Extracting the median offer.

## 1 Download data

Energy retailers that operate in NSW are required to provide data for every plan they make "generally available"<sup>a</sup> on Energy Made Easy – the Australian Government's energy price comparator website.

We download all offers that are published on Energy Made Easy and available to customers in NSW at a single point in time.

## 2 Clean and exclude offers

The Land Lease Act requires IPART to calculate the median retail offer for residential customers. We therefore filter the data to remove standing offers and offers that are available to businesses.

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<sup>a</sup> Under [section 63 of the National Energy Retail Law \(NSW\) 2012](#), a retailer must submit to the AER information and data relating to the presentation of standing offer prices and market offer prices that are **generally available** to classes of small customers in a jurisdiction. More information is available in the [AER Retail Pricing Information Guidelines](#) about the meaning of generally available (see clauses 76 to 78).

In addition, we filter the data to include only offers with flat-rate tariffs. This is because over 70% of all on-market customers are currently on flat-rate tariffs, and research from our Review of Embedded Networks found that customers in land lease communities are overwhelmingly supplied on flat-rate tariffs.

We then exclude offers with certain eligibility requirements (Table 1) and clean the data by removing offers with irregular or missing data, for example offers with no advertised supply charge or consumption charge.

Table 1 Filters we apply to the Energy Made Easy dataset

Filter/Variable	What we exclude
<b>Customer type</b>	We exclude offers for small business customers.
<b>Plan type</b>	We exclude standing offers.
<b>Tariff type</b>	We exclude offers with the following tariff types: <ul style="list-style-type: none"> <li>• Time-of-use tariffs</li> <li>• Controlled load tariffs</li> <li>• Solar feed-in tariffs.</li> </ul>
<b>Eligibility Requirements</b>	We exclude offers with the following eligibility requirements: <ul style="list-style-type: none"> <li>• Customer must have existing battery</li> <li>• Customer must purchase equipment through a specific supplier</li> <li>• Customer must not receive a government solar FIT</li> <li>• Customer must be a frequent flyer scheme member</li> <li>• Customer must be a group buying scheme member</li> <li>• Customer must user over a set amount of energy over a period</li> <li>• Customer must live in a specific location</li> <li>• Customer must be an organisation member</li> <li>• Customer must be a sporting club member</li> <li>• Customer must have a pool</li> <li>• Small business customer must have an ABN and residential address</li> <li>• Customer must have a seniors card</li> <li>• Customer must have an existing smart meter</li> <li>• Customer must have existing solar panels.</li> </ul>

### 3 Calculate bills

For each offer in our cleaned dataset, we calculate the expected annual bill using an annual consumption level of **2,400 kWh/year**. This is the average annual electricity consumption for residential customers in caravan parks from a sample of bills we collected during the review of embedded networks.

This bill total comprises of:

- **the supply charges** – daily supply charge x 365
- **the usage charges** – usage charge per kWh x total kWh consumed
- **guaranteed discounts** – a bill reduction if the offer *guarantees* a set discount to all customers
- **membership fees** – additional fees that customers must pay for particular offers
- **GST**.

Our intended purpose for calculating annual bills is to compare what customers would actually pay under each offer, which is why we include membership fees and guaranteed discounts in our calculation.

If an offer includes a conditional discount, we will treat it as though there is no discount. This is because conditional discounts are not available to all customers and there is no guarantee that customers would meet the criteria for the discount.

## 4 Extract the median offer

We then group offers by the network district (Ausgrid, Endeavour Energy, or Essential Energy) to ensure that the median offer is selected from comparable offers.

Finally, we remove duplicate offers from the data.<sup>b</sup>

We then extract the median offer for each network based on the median total bill, which comprises of a supply charge and usage charge (calculated after guaranteed discounts).

If the median annual bill falls between 2 offers, we will choose only one of these offers to be the median retail offer. We do not average the offers because we are required under the Act to provide a single median retail offer to the Commissioner.

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<sup>b</sup> Where 2 or more offers from the same retailer have the exact same annual bill only one of these offers is included in the final dataset. This ensures that only genuinely distinct offers remain in the data.