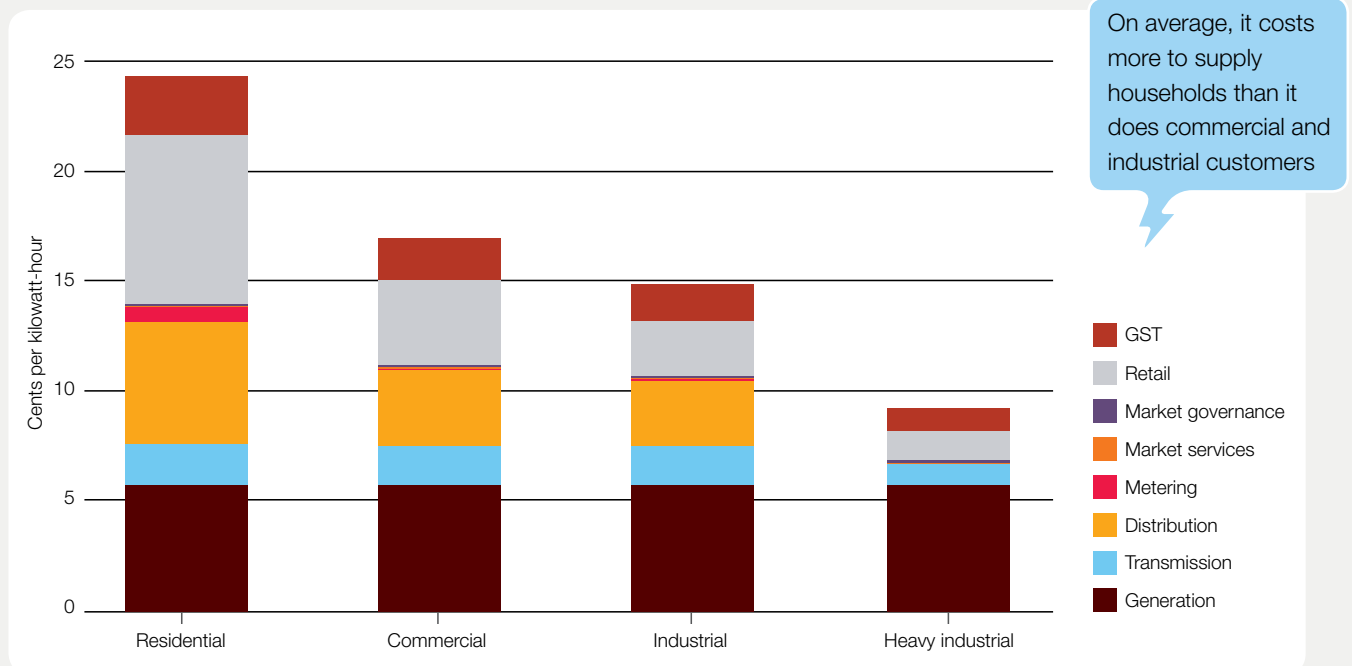


Comparing prices paid by other consumers

The exact amount charged by electricity retailers to consumers varies depending on the retailer and type of consumer account, but electricity bills generally reflect costs incurred by participants across the electricity industry. This fact sheet looks at how the costs paid by households compare with others such as businesses and industrial consumers.

Comparing costs for different consumer groups

Residential consumers typically pay more for each unit of electricity than commercial or industrial consumers. This is because, on average, it costs more to supply households than it does commercial and industrial customers. The graph below illustrates the difference in costs for each group for the year ending March 2010.¹



GST has been included in the commercial and industrial groups, however it is normally claimed back by businesses as part of the GST rebate system.

The heavy industrial group are those users directly connected to the transmission system, which means there are no local distribution system costs associated with their electricity supply.

Transmission costs for heavy industrial users are lower per unit than for other groups because most heavy industrial consumers use electricity at a more even rate than other consumers. Consumption by residential consumers and the smaller commercial and industrial consumers can vary significantly depending on the time of day and the month of the year. As a result, the transmission lines that need to be in place to cater for peak demand are more expensive relative to average electricity consumption than would be the case if smaller users consumed electricity at a steady level.

Retail costs are lower for commercial and industrial users than for residential consumers because, on average, the more electricity an individual consumer uses, the less it costs for the retailer to service the customer per-unit of electricity supplied. For example, a user that consumes twice as much electricity as another user, normally costs less than twice as much for a retailer to serve.

¹. Data is currently only available up to March 2010 due to the lead times associated with processing and publishing annual data. New data from the Ministry of Business, Innovation & Employment Energy Data File will be published when available.

The same applies to local distribution system costs. The cost of the equipment servicing high-use consumers is generally lower per-unit sold than the cost of equipment serving low-usage customers. Metering costs are also generally lower on a per-unit basis.

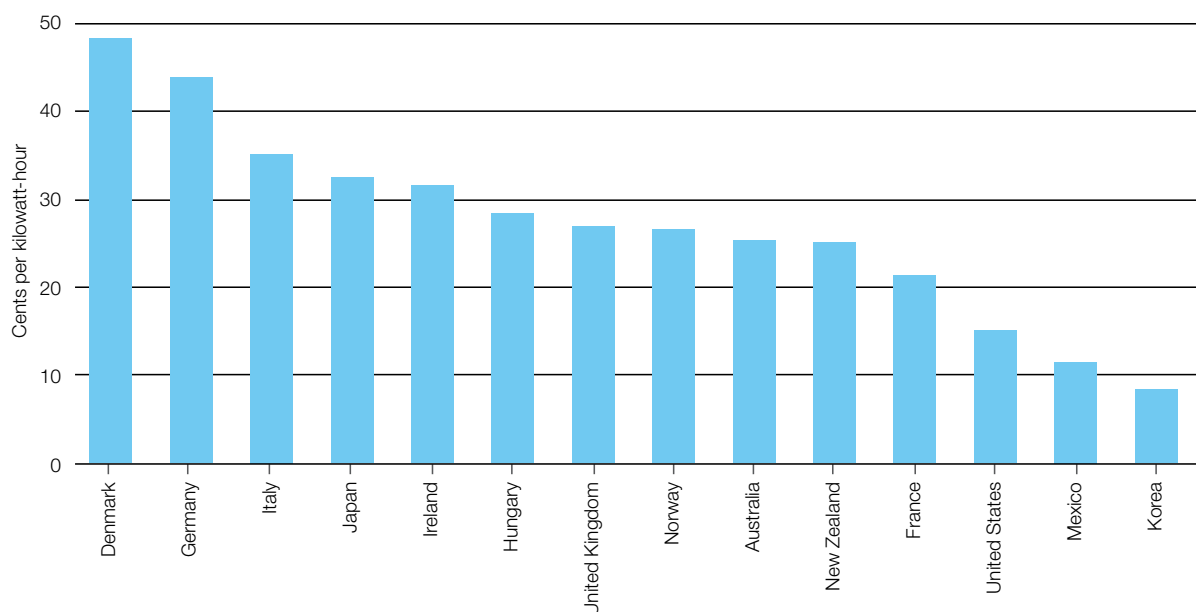
How New Zealand stacks up internationally

Electricity prices paid by households globally vary significantly depending on the types of generation used, and how much consumer prices are supported by subsidies.

Some countries have limited natural resources available and may need to use more expensive generation. Geothermal electricity, for example, is a relatively cheap generation option but it is only viable in a limited number of countries. Some countries have relatively abundant resources, such as easily mined coal, rivers that favour electricity generation and strong prevailing winds, whereas others are relatively resource-poor. Resource-poor countries will generally have higher electricity prices.

Many countries have subsidies that affect the price that consumers pay. These can take many forms. The most obvious is where generation is owned and operated by the government, but where prices charged to consumers are well below the actual cost of generating electricity, with the government funding the difference from elsewhere. Less obvious are situations where some users subsidise other users, such as countries where industrial users are charged more than the actual cost of supplying electricity to them, while residential customers are charged less. Some countries have taxpayer funded subsidies for specific types of generation to encourage its use, eg wind, which also impacts on the price charged to users.

Comparing international residential electricity prices (compared using 2010 NZ dollars)



Source: Ministry of Economic Development: New Zealand Energy Data File



Fact sheets in this series cover topics including the electricity supply chain, breakdown of a typical bill, price comparisons between different consumer groups and internationally, and projecting future costs. The full set can be found at ea.govt.nz/consumer/factsheets