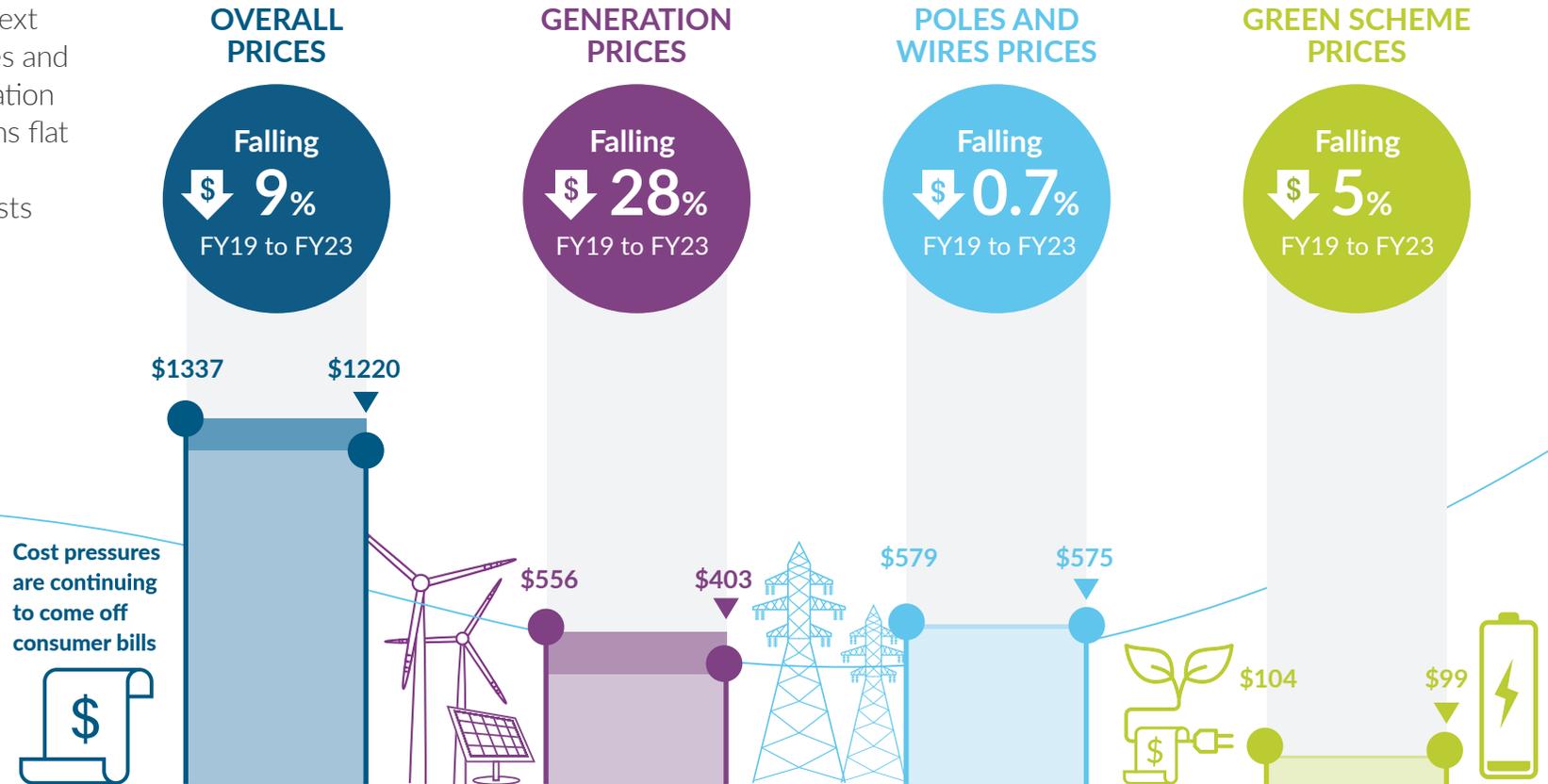


AUSTRALIAN ENERGY MARKET COMMISSION

POWER PRICES SET TO FALL OUT TO 2023

RESIDENTIAL ELECTRICITY PRICE TRENDS REPORT 21 DECEMBER 2020

The biggest driver of price in the next few years will be cheaper gas prices and new and cheaper electricity generation like wind and solar. Demand remains flat so increased power supply from renewables is driving wholesale costs lower.



Cost pressures are continuing to come off consumer bills



Bill = USAGE x PRICE

Every household is different. Bills change depending on how much power you use and when. Demand is affected by temperatures where you live and costs can depend on state/territory government policies and whether or not your local network needs extra investment.

OVERALL SUPPLY COSTS

Most Australians can expect to see falling electricity prices over the next three years.

WHOLESALE

New generation capacity is entering the system and driving significant falls in wholesale prices.

NETWORKS

The cost of connecting new generation to distribution and transmission networks is coming down.

ENVIRONMENTAL POLICY*

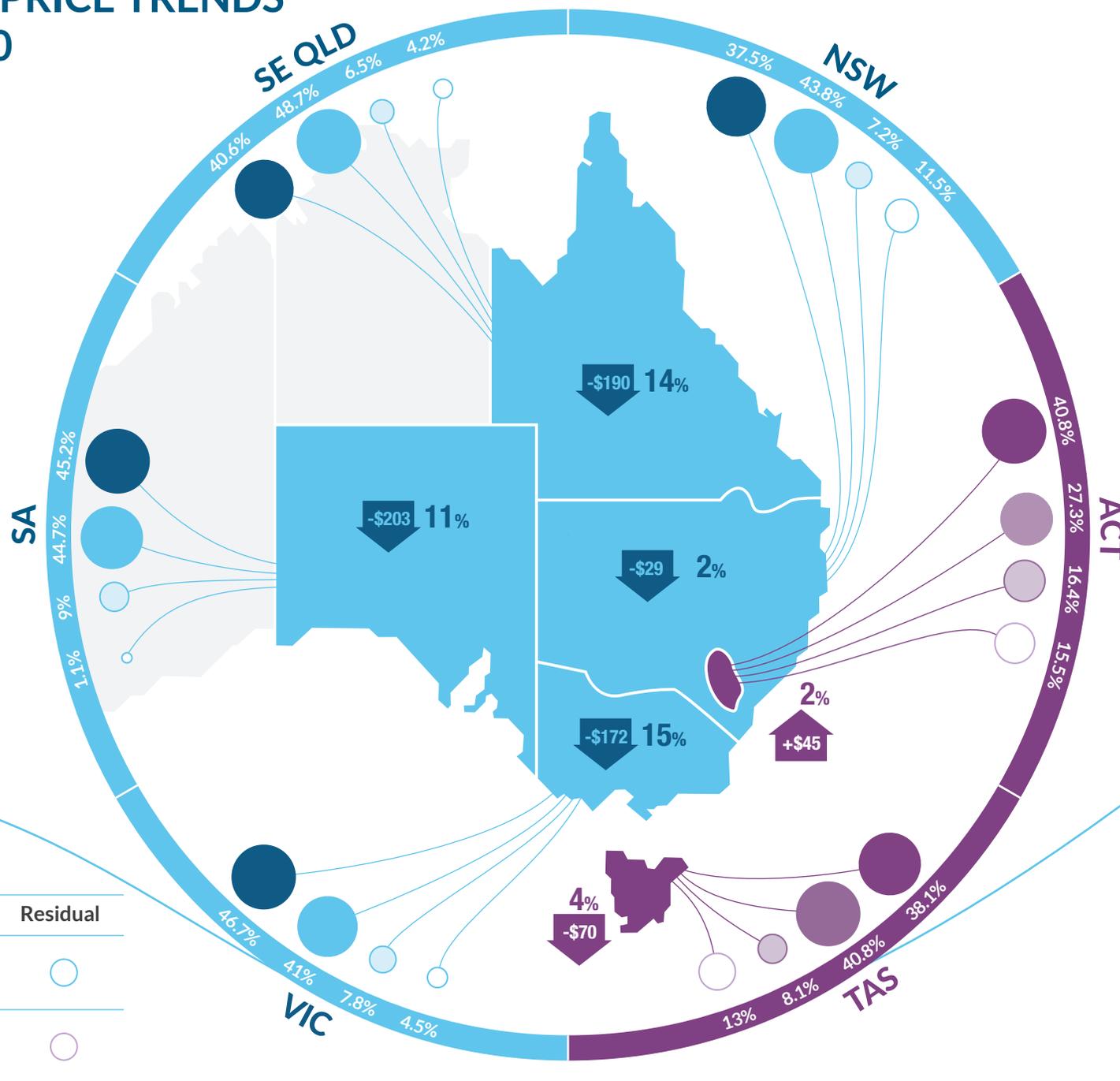
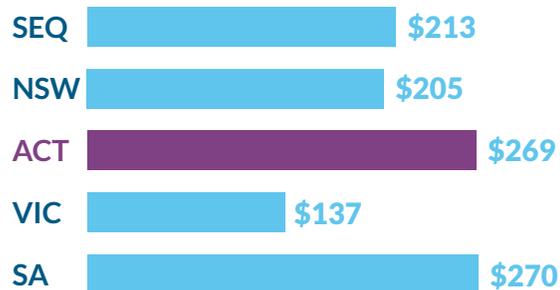
After mostly increasing over the past decade we have projected for two years running that these costs will drop.

* These costs include the Australian Government Renewable Energy Target and relevant jurisdictional schemes.

AUSTRALIAN ENERGY MARKET COMMISSION RESIDENTIAL ELECTRICITY PRICE TRENDS AROUND THE NATION 2020

All states in the national electricity market are expected to see falls over the next three years. Small rise estimated for the ACT.

Savings from switching to the lowest market offer from the lowest standing offer for a representative consumer



Supply chain cost components of a typical bill

	Wholesale	Networks	Environmental	Residual
Market offer	●	●	●	○
Standing/regulated	●	●	●	○

AUSTRALIAN ENERGY MARKET COMMISSION

ELECTRICITY PRICE TRENDS REPORT 21 DECEMBER 2020

NEW SOUTH WALES ELECTRICITY MARKET PRICES ARE DECREASING

Wholesale and environmental costs look set to fall in NSW but network costs are likely to rise. We have also modelled a possible increase in price in 2022-23 following the closure of the Liddell power station however prices are still expected to be lower than today and these figures don't take into account recent NSW Government announcements to boost generation capacity.



CONSUMER

The representative consumer in NSW is a two-person household using mains gas along with electricity and on a market offer power bill (with total annual consumption level of 4,215/kWh).



Annual electricity bill for a typical residential customer



AT A GLANCE



WHOLESALE

The cost of generating electricity

Wholesale costs are expected to fall by 12% or \$57 over the reporting period as more new generation comes into the market with demand staying flat and gas prices staying low. This is an annual average drop of 4.1%.



NETWORKS

Poles and wires costs depend on regulator revenue determinations

Network costs are projected to rise by 4% or \$25 over the reporting period (an annual average increase of 1.5%). This is due to increased transmission costs.



ENVIRONMENTAL

Direct costs of government schemes like the renewable energy target

Environmental costs are expected to be \$12 or 13% lower over the reporting period, driven by a drop in the Australian Government's Large-scale Renewable Energy Target costs as more generation comes online. This is an annual average drop of 4.6%. Environmental costs also include the NSW Government's climate change fund and energy savings scheme.

ABOUT THIS REPORT

The AEMC price trends report informs a range of stakeholders including the International Energy Agency, Reserve Bank of Australia and the Australian Energy Market Operator. It provides governments with information on how costs in different parts of the electricity sector are driving future prices and provides context for long-term decision making on energy policy.

The representative consumer is different for each jurisdiction depending on demographic profiles and is defined by using a representative energy consumption level.

AUSTRALIAN ENERGY MARKET COMMISSION

ELECTRICITY PRICE TRENDS REPORT 21 DECEMBER 2020

VICTORIA ELECTRICITY MARKET PRICES ARE DECREASING

In Victoria, household electricity bills are likely to be \$172 cheaper by 2023. All three cost drivers – wholesale costs, network costs and environmental costs are on their way down in this state, which has a very high proportion of customers on cheaper market offers and lots of gas used for home heating.



CONSUMER

The representative consumer in Victoria is a two-person household using mains gas along with electricity and on a market offer power bill (with total annual consumption level of 3,865kWh).



Annual electricity bill for a typical residential customer



AT A GLANCE



WHOLESALE

The cost of generating electricity

Wholesale costs are expected to fall by 37% or \$197 over the reporting period (an annual average drop of 14.4%). This is being driven by more supply coming into the market and lower gas prices.



NETWORKS

Poles and wires costs depend on regulator revenue determinations

Network costs are set to decrease by 6% or \$27 over the reporting period (an annual average fall of 2%) due to network businesses earning less from their capital investments.



ENVIRONMENTAL

Direct costs of government schemes like the renewable energy target

Environmental costs are also expected to fall by 11% or \$10 over the reporting period. An annual average drop of 4%, driven by lower Large-Scale Renewable Energy Target costs as more generation comes online.

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AUSTRALIAN ENERGY MARKET COMMISSION

ELECTRICITY PRICE TRENDS REPORT 21 DECEMBER 2020

SOUTH EAST QUEENSLAND ELECTRICITY MARKET PRICES ARE DECREASING

In South East Queensland, household electricity bills are likely to be \$190 cheaper by 2023. This is because wholesale and network costs are both dropping, though environmental costs are expected to increase.



CONSUMER

The representative consumer in South East Queensland is a two-person household with air conditioning, off-peak hot water and no mains gas and on a market offer power bill (with total annual consumption level of 5,240kWh).



Annual electricity bill for a typical residential customer



AT A GLANCE



WHOLESALE

The cost of generating electricity

Wholesale costs are estimated to fall by 35% or \$188 (an annual average drop of 13.2%) as a result of more solar and wind and lower gas prices.



NETWORKS

Poles and wires costs depend on regulator revenue determinations

Network costs are expected to come down by 7% or \$42 (an annual average drop of 2.2%) due to an over-recovery of distribution use of system charges being returned to consumers.



ENVIRONMENTAL

Direct costs of government schemes like the renewable energy target

Environmental costs are expected to increase by 34% or \$29 (an annual average increase of 10%). Environmental costs on bills include the Australian Government's Large scale Renewable Energy Target and the Queensland Government's solar bonus scheme.

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AUSTRALIAN ENERGY MARKET COMMISSION

ELECTRICITY PRICE TRENDS REPORT 21 DECEMBER 2020

SOUTH AUSTRALIA ELECTRICITY MARKET PRICES ARE DECREASING

In South Australia, household electricity bills are likely to be \$203 cheaper by 2023. All three cost drivers – wholesale, network costs and environmental costs are on their way down in this state, which also has a very high proportion of customers on cheaper market offers.



CONSUMER

The representative consumer in SA is a two-person household using mains gas along with electricity and on a market offer power bill (with total annual consumption level of 5,000 kWh).



Annual electricity bill for a typical residential customer



AT A GLANCE



WHOLESALE

The cost of generating electricity

Wholesale costs are the largest driver of these lower prices. They are expected to fall by 41% or \$349 (an annual average drop of 16.1%) over the reporting period and the dip is largely due to new supply of renewables coming online and lower gas prices.



NETWORKS

Poles and wires costs depend on regulator revenue determinations

Network costs will likely be 1% or \$11 lower over the reporting period, due to network businesses earning less from their capital investments (an annual average drop of 0.4%).



ENVIRONMENTAL

Direct costs of government schemes like the renewable energy target

Environmental costs are expected to fall by 9% or \$15 (an annual average drop of 3%). This is mainly due to the cost of green scheme certificates under the Australian Government's Large-Scale Renewable Energy Target becoming cheaper. Environmental costs also include SA Government solar feed-in tariffs and retailer energy efficiency schemes.

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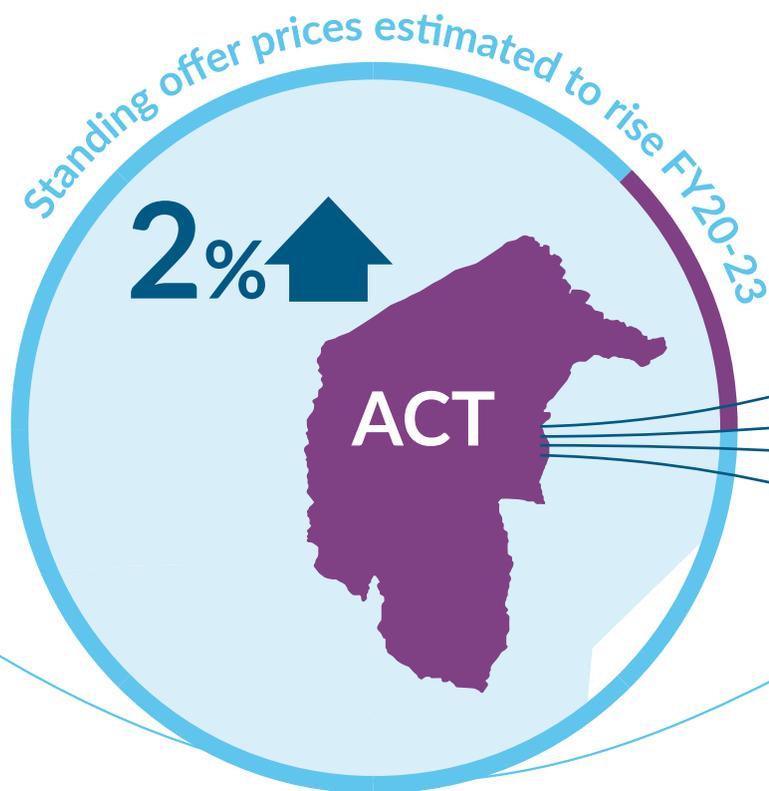
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AUSTRALIAN ENERGY MARKET COMMISSION

ELECTRICITY PRICE TRENDS REPORT 21 DECEMBER 2020

AUSTRALIAN CAPITAL TERRITORY ELECTRICITY MARKET PRICES ARE INCREASING

In the ACT, falling wholesale and environmental costs are expected to be offset by an increase in network costs, leading to a small increase in the typical consumer's bill of 2%.



CONSUMER

The representative consumer in the ACT is a two-person household on a regulated standing offer bill using electricity for water heating and with no mains gas (with total annual consumption level of 7,151kWh).



Annual electricity bill for a typical residential customer



AT A GLANCE



WHOLESALE

The cost of generating electricity

Wholesale costs are expected to fall over the reporting period by 13% or \$108 (an annual average drop of 4.7%). This is being driven by more supply coming into the market – namely solar and wind – as well as flat demand and low gas prices.



NETWORKS

Poles and wires costs depend on regulator revenue determinations

Network costs are set to increase by 15% or \$78 (an annual average increase of 4.6%) over the reporting period. This is due to approvals given to distribution business ActewAGL to increase its revenue to allow for operating and depreciation costs.



ENVIRONMENTAL

Direct costs of government schemes like the renewable energy target

Environmental costs are also expected to fall by 8% or \$26 (an annual average drop of 2.8%) over the reporting period. This is driven by a drop in the cost of purchasing green scheme certificates under the Australian Government's Large-Scale Renewable Energy Target. Environmental costs also include the ACT Government energy efficiency improvement scheme and feed-in tariffs.

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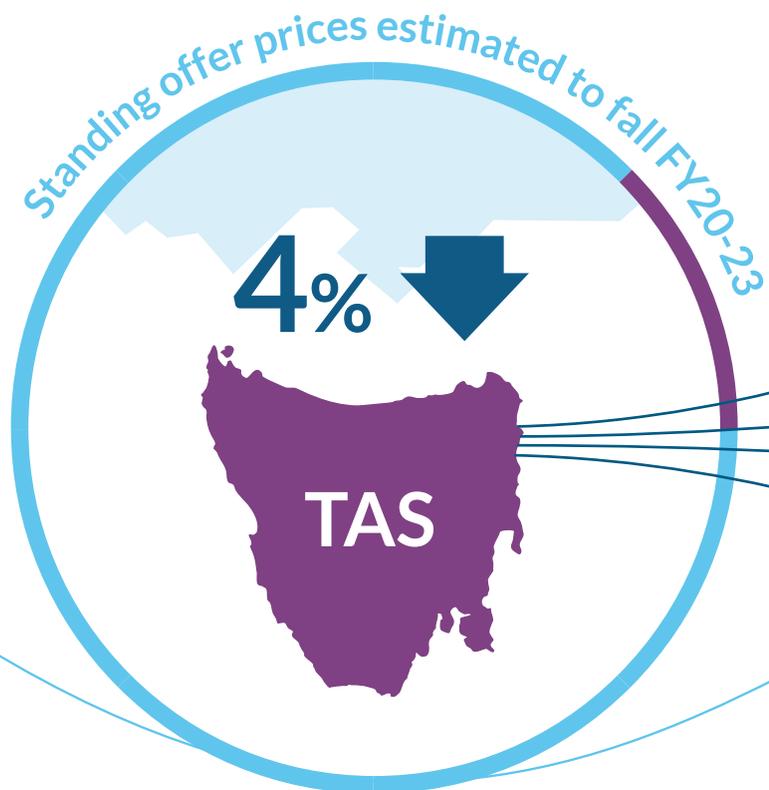
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AUSTRALIAN ENERGY MARKET COMMISSION

ELECTRICITY PRICE TRENDS REPORT 21 DECEMBER 2020

TASMANIA ELECTRICITY MARKET PRICES ARE DECREASING

In Tasmania, household electricity bills are likely to be \$70 cheaper by 2023. This is because wholesale and environmental costs are both dropping, though network costs are expected to increase. Most Tasmanians are on regulated standing offers set each year by the Office of the Tasmanian Economic Regulator.



CONSUMER

The representative consumer in Tasmania is a two-person household on a regulated standing offer bill with electric water heating and without mains gas (with total annual consumption level of 7,908kWh).



Annual electricity bill for a typical residential customer



AT A GLANCE



WHOLESALE

The cost of generating electricity

Wholesale costs are expected to go down by nearly 19% or \$138 over the reporting period. This is an annual average drop of 6.6% and is driven by new generation supply entering the national electricity market and lower gas prices.



NETWORKS

Poles and wires costs depend on regulator revenue determinations

Network costs are expected to rise by 3% or \$26 (an annual average increase of 1.1%) over the reporting period.



ENVIRONMENTAL

Direct costs of government schemes like the renewable energy target

Environmental costs are expected to fall by 11% or \$18 over the reporting period – an annual average drop of 3.8%. This result is due to a decrease in Large-Scale Renewable Energy Target costs as more renewable generation comes online.

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