

Electricity price outlook modelled for ACT households

Australian Energy Market Commission
Residential electricity price trends report 2020

Electricity prices in the ACT are expected to tell a mixed story over the next three years, as lower wholesale and environmental costs are offset by an increase in transmission and distribution network costs.

The net result shows that ACT prices for a typical consumer bill will increase by about 2% or \$45 between now and 2023, the AEMC's latest annual Residential electricity price trends report has found.

"Our modelling shows ACT prices overall dropping by about 2% in both FY 2020/21 and 2020/22 and increasing by 6.9% in 2022/23," AEMC Chief Executive Benn Barr said.

In the meantime, there are still savings to be had for a large number of ACT consumers, with nearly 35% of Territory customers still on standing offers rather than cheaper market offers. These customers could save up to \$269 a year on their energy bill if they shop around."

The AEMC's 11th price trends report shows costs falling across two of the three key drivers of ACT consumers' bills.

- **Wholesale costs** are expected to fall by 13% or about \$100 (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.
- **Environmental costs** are also expected to fall by 8% or nearly \$30 (an annual average drop of 2.8%), driven by a drop in in the cost of purchasing green scheme certificates under the Large-Scale Renewable Energy Target.
- **Network costs** are set to increase by 15% or nearly \$80 (an annual average increase of 4.6%). This is due to approvals given to distribution business Evoenergy to increase its revenue to allow for operating and depreciation costs.

"What drives us at the AEMC is how to keep the lights on and costs down in a decarbonising power system, and we are working with our colleagues on the Energy Security Board to best manage the major transformational change that is taking place in the national electricity market," Mr Barr said.

"Understanding what's driving prices can give the ACT Government information on underlying costs to compare with price changes retailers seek to make from 1 July.

"This report has been giving governments forward looking, policy-relevant information on energy prices for more than a decade – but it is important to stress these are projections not predictions. Trends can change sharply in response to new policies and sudden market changes."

Prices in this report are based on a 'most common ACT consumer' – a two-person household on a regulated standing offer consuming 7151kWh of electricity a year.

Actual prices will depend on how and when electricity is used in each home and which type of energy offer they are on. Consumers can shop around for the best energy deal using

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sites such as the Australian Energy Regulator's comparison site Energy Made Easy.

Knowing how much power you use and when you use it is becoming more important as new technologies and information platforms become more accessible.

Integrating new technologies into the power system and expanding consumers' ability to participate in the energy market and control their energy consumption is a key focus for the AEMC.

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About this report

This 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 about which parts of the sector are driving electricity prices and provides context for long-term decision making on energy policy.

It also helps customers understand the costs included in their electricity bill.

Price trends identified in this report are not a forecast of actual prices, but rather a guide to pricing and bill directions based on current expectations, policy and legislation. Actual price movements will be influenced by how retailers compete, the dynamics of wholesale, spot and contract markets, the outcomes of network regulatory decisions and changes in policy and regulation.

Prices modelled are an average of the lowest market offer of each retailer weighted by market share.

Prices relate to a 'typical customer', which refers to the most common type of household based on electricity consumption.

About the AEMC

The Australian Energy Market Commission makes the rules for the National Electricity Market, elements of the natural gas market and related retail markets. We provide strategic and operational advice to governments on energy and protect consumers with the right trade-off between cost, reliability and security

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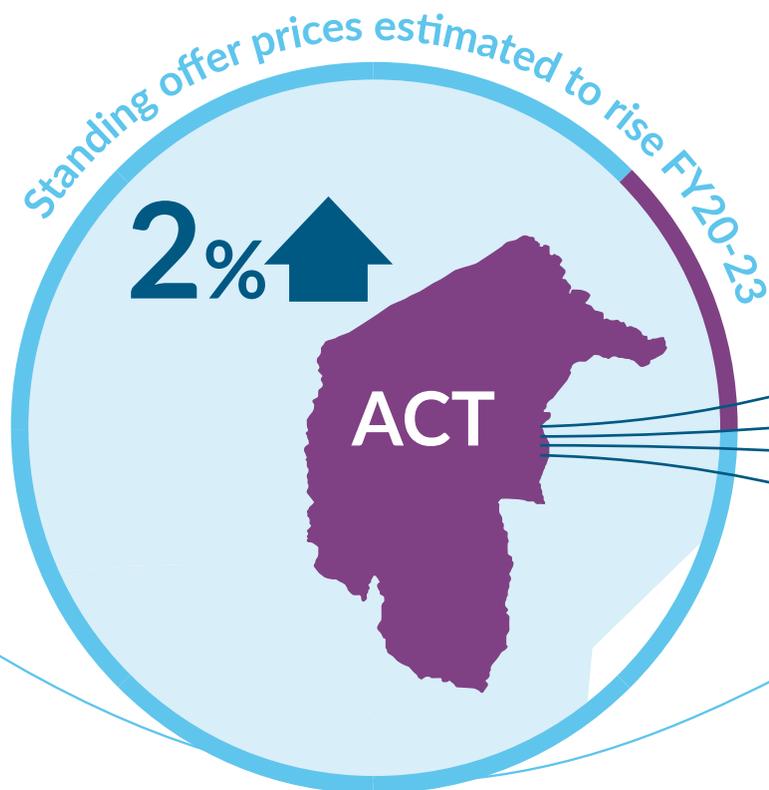
There are still savings to be had for a large number of ACT customers ... who could save up to \$269 on their energy bill if they shopped around.

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 Evoenergy 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.

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.