
Lower electricity prices ahead for Tasmanians

Australian Energy Market Commission Residential electricity price trends report 2021

Regulated household electricity bills in Tasmania are expected to fall by six per cent, or \$125, over the next three years mainly driven by falling wholesale generation and environmental costs.

Most Tasmanians (98%) are on regulated standing offers set each year by the Office of the Tasmanian Economic Regulator, with a cap set by the State Government reflecting the Hobart consumer price index. AEMC Chair Anna Collyer said new modelling released today by the Australian Energy Market Commission (AEMC) shows the underlying drivers contributing to Tasmania's regulated price and the market offers now available.

The AEMC's 12th annual price trends report shows that while wholesale costs and environmental costs are trending lower, regulated network charges, which represent about 37% of household electricity bills in Tasmania, are increasing.

Representative retail prices for Tasmania are based on the regulated standing offer from Aurora Energy which applies to almost all residential consumers.

Overall, Tasmanian consumers' bills between FY 2020/21 and FY 2023/24 are likely to be impacted by:

- **Wholesale costs** in connected regions of the NEM are falling by 22 per cent, or \$146 due to an influx of lower cost renewables. This is an annual average drop of -8.1%.
- **Environmental costs** remaining largely steady, with a small two per cent drop, or \$3 over the reporting period.
- **Network costs** projected to rise by 10 per cent, or \$72, over the reporting period, driven by higher costs in the provision of distribution network infrastructure. This is an annual average increase of 3.1% across both transmission and distribution networks⁷.

"The diversity of generation and storage being developed across the country puts us in a strong position to manage the forecast retirement of ageing thermal generators. It highlights the importance of being smart in how we connect resources to the grid and ensure the back-up needed for a secure supply, so the benefits of low cost and low emission generation aren't eroded."

Prices in this report are based on a 'most common Tasmanian consumer' – a 2-person household with no mains gas, electric space and water heating and paying its bills based on the regulated standing offer price, and with a total annual consumption level of 7,666/kWh.

Actual prices will depend on how and when electricity is used in each home and which type of energy offer they are on.

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About this report

This price trends report 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 on 17 September 2021, weighted by market share. Prices relate to a 'typical customer', which refers to the most common type of household based on electricity consumption.

No two households use energy in the same way, and many source at least some of their electricity demand from solar PV or gas. Knowing how much power you use and when is important to control power bills into the future as new technologies become more affordable and energy entrepreneurs expand demand response options for consumers.

About the AEMC

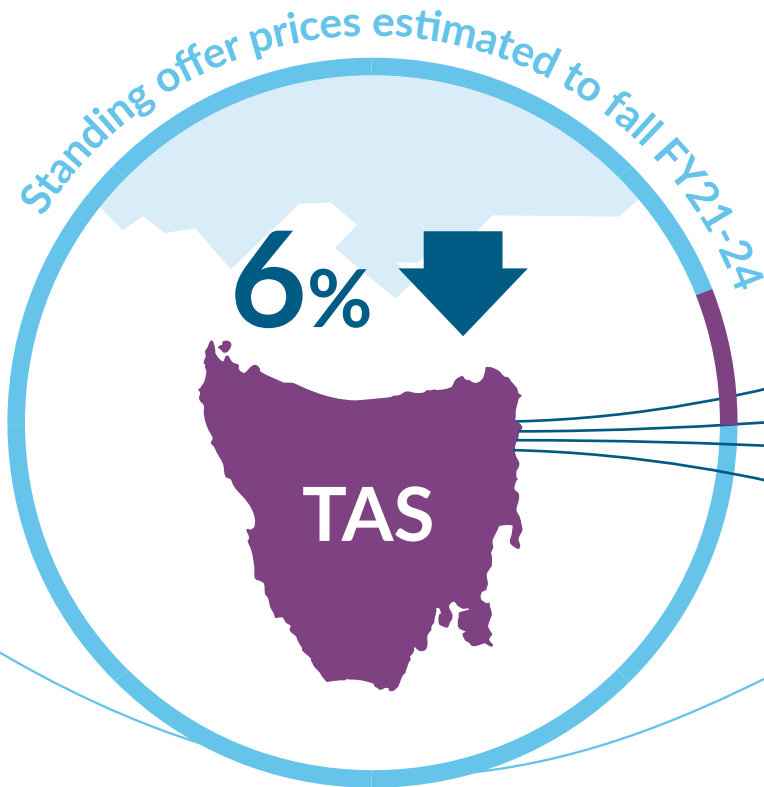
The Australian Energy Market Commission is the rule maker for Australian electricity and gas markets. We make and amend the National Electricity Rules, National Gas Rules and National Energy Retail Rules. We also provide market development advice to governments.

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RESIDENTIAL ELECTRICITY PRICE TRENDS REPORT 25 NOVEMBER 2021

TASMANIA'S ELECTRICITY PRICES ARE DECREASING

The annual residential bill in Tasmania is expected to fall by six per cent, or \$125, over the reporting period driven by falling wholesale generation and environmental costs.

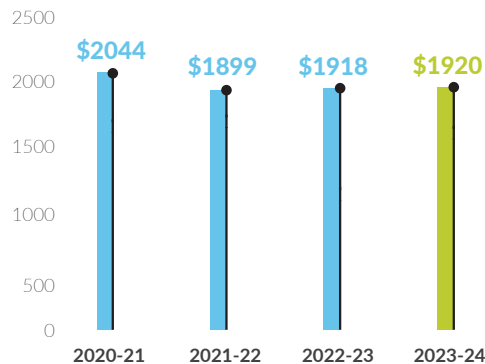


CONSUMER HOUSEHOLD PROFILE

The representative consumer, or most common household type, in Tasmania has 2 people, no mains gas, electric space and water heating and is on the regulated standing offer - with a total annual consumption level of 7,666kWh.



Annual electricity bill for a typical residential customer



AT A GLANCE



WHOLESALE

The cost of generating electricity

Wholesale costs are expected to fall by 22 per cent, or \$146, over the reporting period in line with the falling wholesale cost of energy in Victoria.



NETWORKS

Poles and wires costs depend on regulator revenue determinations

Regulated network costs are expected to increase by 10 per cent, or \$72, over the reporting period, driven by higher costs in the provision of distribution network infrastructure.



ENVIRONMENTAL

Direct costs of government schemes like the renewable energy target

Environmental costs are expected to effectively remain steady, with a small two per cent drop, or \$3 over the reporting period.

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