



NEWS

The AEMC has corrected 2015 Residential Electricity Price Trends data in an updated version of the 2015 report, published on 23 February 2017. An information sheet on the changes is available on the AEMC's website [here](#).

This media release has not been updated to reflect the updated report.

Electricity prices largely stable but uncertain

Falling network costs to be offset by expected rises in wholesale electricity and environmental policy costs as electricity prices remain largely flat over the next three years.

The 2015 Australian Energy Market Commission (AEMC) Residential Electricity Price Trends report looks at trends in the underlying cost components of household electricity bills - including the competitive market sectors of wholesale generation and retail; the regulated networks sector; and price implications from government environmental policies.

AEMC Chairman John Pierce said the report has found that wholesale electricity costs, which have been reasonably stable at a low level in recent years, are expected to rise.

"Consumption is forecast by the Australian Energy Market Operator to increase at the same time that generators are leaving the market in Victoria and South Australia," Mr Pierce said.

"Higher forecast gas prices may also contribute to expected increases in wholesale electricity costs as increasing wholesale gas prices raise costs for gas-fired generators," he said.

Environmental policy costs, particularly those associated with the Large-scale Renewable Energy Target that requires retailers to source a proportion of their electricity from renewable sources, and solar feed-in tariff schemes in some jurisdictions, are also expected to rise.

Mr Pierce said the impact of these higher costs is being mitigated by lower network revenues, which have reduced costs associated with poles and wires by up to 17 per cent in some jurisdictions this year. However, because of appeals surrounding future network revenues, the ability of this mitigating impact to continue beyond this year is now uncertain.

"The stable price trend identified in this report incorporates the most recent determinations from the Australian Energy Regulator which set the revenues that distribution network businesses are allowed to collect from their customers in New South Wales, the ACT, Queensland, South Australia and Victoria," Mr Pierce said.

"With a range of applications for review of these determinations by the Australian Consumer Tribunal and potentially other judicial bodies, these outcomes are uncertain.

"Any resulting tribunal or court decision may change the AER's determinations. If this happens, each affected network business will likely receive a different decision on the revenue it is allowed to recover from customers over the five-year regulatory period. This may also result in the high likelihood of a step-change in prices to adjust for any new determination, and ongoing uncertainty over the future direction of residential electricity prices until review processes are exhausted.

"Mr Pierce said these price trends would impact individual households differently depending on how each consumer uses electricity, and how willing they are to switch to a better energy deal where market offers are available.

"No two households use energy in the same way. Knowing how much power you use and when, will be the key tool in controlling electricity costs in the future," Mr Pierce said.

"Consumption profiles are increasingly diverse as new technology and significant changes to the National Electricity Rules over the past three years facilitate greater demand side participation in energy markets.

**The AEMC's 2015
Price Trends
report shows
electricity prices
to remain largely
flat**

“Right now, switching to a better energy deal remains the most effective way for consumers to save money in states and territories where market offers are available. The average saving from switching from a standing offer to a market offer in 2014/15 ranged from \$52 in the ACT to \$289 per annum in Victoria.”

The annual Residential Electricity Price Trends report provides an understanding of the cost components of the electricity supply chain that contribute to the overall price paid by residential consumers, and the expected trends in each of these components.

The full report and further information is available at www.aemc.gov.au.

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