



Western Australia residential electricity price trends

2017 Residential electricity price trends report

Average residential electricity prices in Western Australia are currently less than the cost of supply and are estimated to increase by 6.3% each year over the next two years from 1 July 2018.

The AEMC's annual report on price trends provides an overall picture of factors driving electricity prices for households in each state and territory. While the report is not a forecast of prices, it analyses cost trends across the electricity supply chain including generation, the regulated networks sector; and price impacts resulting from government environmental and system security policies.

AEMC Chairman John Pierce said although electricity prices are set by the Western Australian Government, an analysis of underlying drivers found there is likely to be an increase in wholesale costs, which make up around 40% of a typical bill.

"Residential electricity prices in Western Australia are estimated to rise by 6.3% on average for each of the next two years," said Mr Pierce.

"Underlying this is an estimated annual increase of 4.5% in wholesale costs, driven by higher gas prices which increase the cost of operating gas-fired generators."

Wholesale costs may also be impacted by new investment to help meet a 'peakier' demand profile for the state. Investment in more flexible generation can help meet more frequent spikes in demand, for example when consumers turn up air conditioners during heat waves.

Environmental policy costs, which make up around 3% of a typical electricity bill, are expected to increase by around 12% each year over the next two years, driven by a rise in the cost of certificates for the large-scale renewable target (RET) scheme.

Network costs, which make up around half the bill, are estimated to decrease slightly.

Actual prices paid by consumers are set by the Western Australian Government, which subsidises electricity prices. As a result, residential prices are currently less than the cost of supply.

Background

Price trends identified in the report are not a forecast of actual prices. They are a guide to factors which may drive prices up or down. Actual prices will be influenced by how retailers compete in the market, the outcomes of network regulatory processes, and changes in government legislation.

Actual consumer bills will be affected by all these drivers as well as customers' individual consumption choices, and local factors like the weather and the availability of mains gas.

“Actual prices paid by consumers are set by the Western Australian Government, which subsidises electricity prices. As a result, residential prices are currently less than the cost of supply.”

Modelling for price trends in Western Australia

The report estimates electricity prices for a representative Western Australian residential consumer. The representative consumer is defined by their electricity consumption characteristics including:

- total annual electricity consumption
- quarterly electricity consumption, to reflect seasonal changes in power use
- use of off-peak tariffs
- gas use
- number of people in the household.

For Western Australia, the report uses a figure of 5,198 kWh for annual electricity consumption based on information provided by the Western Australian Government.

In Western Australia the representative consumer is a four-person household (two adults and two children).

Representative retail prices are based on standing offers from 2016-2017 and 2017-2018 taken from Synergy and Horizon Power.

Media:

Communications Director, Prudence Anderson 0404 821 935 or (02) 8296 7817
Communications Specialist, Bronwyn Rosser 0423 280 341 or (02) 8296 7847

18 December 2017