



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.

Victorian electricity prices expected to stay flat

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

The 2015 Australian Energy Market Commission (AEMC) Residential Electricity Price Trends report looks at the 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 despite small annual fluctuations, residential electricity prices for the representative Victorian consumer on a market offer are expected to remain flat on average to June 2018.

"This stable trend is the result of the opposing influences of rising wholesale electricity prices and falling network costs," Mr Pierce said.

Despite expected regulated network costs falling by an initial 4.8 per cent in 2015/16, a further 11 per cent in 2016/17 and by 3.9 per cent in 2017/18, these savings are completely offset by expected increases in wholesale electricity prices and higher environmental policy costs.

"Wholesale electricity costs, which have been reasonably stable in recent years, are expected to rise," Mr Pierce said.

"Increasing consumption, as forecast by the Australian Energy Market Operator and driven by both population and income growth, is expected to coincide with generator retirements, including both the Anglesea Power Station and the Northern Power Station in South Australia.

"The retirement of the Northern Power Station may impact Victorian wholesale prices, as it is likely that more electricity will be exported from Victoria across the upgraded Heywood interconnector.

"Higher gas prices are also likely to contribute to the cost of electricity supplied by gas-fired generators."

Environmental policy costs are expected to increase on average by 4.3 per cent each year. Rises in the costs associated with the Large-scale Renewable Energy Target are being partially offset by decreases in the costs of the Small-scale Renewable Energy Scheme, with the costs associated with the Victorian solar feed-in tariff and energy efficiency schemes fluctuating.

Mr Pierce said that the impact of these higher costs is being mitigated by lower network revenues, which will reduce costs associated with poles and wires in Victoria by 4.8 per cent this year, to be followed by a further reduction of 11 per cent next year, and 3.9 per cent in 2017/18.

"Regulated network costs represent 43 per cent of an average Victorian residential electricity bill," Mr Pierce said. "So changes in these costs clearly have a big impact on what households pay for their electricity."

Mr Pierce said the way these trends will impact individual households depends on how each consumer uses electricity, and how willing they are to switch to a better energy deal where market offers are available.

"Consumption profiles are becoming 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," Mr Pierce said.

**The AEMC's 2015
Price Trends
report shows
Victorian
electricity prices
to stay flat.**

“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.

“Right now, switching to a better energy deal remains the most effective way for consumers to save money. The average saving from switching from an average standing offer to an average market offer in 2014/15 was \$289 in Victoria,” he said.

“An analysis of both time of use offers and offers available to solar households in Victoria shows significant benefits and potential savings. These developments have the potential to start impacting price trends.”

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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