



# NEWS

## Report on Northern Territory electricity price trends released

**Residential electricity prices are set by the Northern Territory Government, which subsidises electricity prices such that the prices paid by consumers are less than the cost of supply.**

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 wholesale generation sector; the regulated networks sector; and price implications from government environmental policies.

Northern Territory electricity prices are set by the Northern Territory Government. The information on Northern Territory prices and trends in the report was based on information provided by the Northern Territory Government prior to 19 November 2015. Subsequently, the Chief Minister has announced a 5 per cent reduction in electricity tariffs from 1 January 2016. It has not been possible to reflect this in the report. However, while this affects prices, the underlying cost trends are unaffected.

AEMC Chairman John Pierce said analysis of underlying trends for the Darwin-Katherine Interconnected System suggests that lower wholesale costs will be offset by higher regulated network costs over the coming three years.

The extent to which this trend is realised depends on decisions taken by the Northern Territory Government. This is because it is currently implementing an electricity industry reform covering all parts of the Northern Territory's supply chain.

"Wholesale electricity costs are expected to decrease at an average annual rate of 3.5 per cent to June 2018, driven by a 10 per cent decrease in 2015/16," Mr Pierce said.

"This is the result of a downward revision of Territory Generation's prices following contractual arrangement changes. In 2015/16, a subsidy of \$65.8 million was provided to urban electricity consumers. Subsidies are greater in regions outside of the Darwin-Katherine Interconnected System.

"But as wholesale costs decline, network costs are expected to increase at an average annual rate of 5.5 per cent to June 2018, reflecting the Utilities Commission's determination that allows higher revenues for operational expenditure and regulatory depreciation for Power and Water's transmission and distribution network services."

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, are also rising.

Mr Pierce said the way price trends would impact individual households depends on how each consumer uses electricity.

"Consumption profiles are becoming increasingly diverse as new technology facilitates greater demand side participation in energy markets," Mr Pierce said.

"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."

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](http://www.aemc.gov.au).

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