



## AEMC report: electricity prices moderating over the next two years

**The Australian Energy Market Commission (AEMC) today released its 2014 Residential Electricity Price Trends report on factors driving electricity prices in each state and territory, which shows prices are mostly flat or falling.**

The report analyses trends in the competitive market sectors of the electricity industry; the regulated networks sector; and resulting from government environmental policies. The factors driving each of the three are different, so understanding price trends involves looking into each individually.

The cost of supplying electricity has already fallen in 2014/15 following removal of the carbon price and is expected to remain stable over the following two years, although trends vary across the states and territories due to local factors.

AEMC Chairman John Pierce said the cost of poles and wires, which had previously led to significant price growth, was now expected to moderate under new rules introduced by the Commission.

“The cost of the regulated network sector is mainly flat or falling under a new, tighter regulatory framework introduced by the AEMC for the National Electricity Market, which is starting to be applied this year,” Mr Pierce said.

“The new rules better equip the Australian Energy Regulator to set efficient revenue allowances for network companies so people don’t pay more than necessary for the maintenance and upgrade of poles and wires.

“This year’s price trends report reflects the substantially lower revenue allowances proposed by the regulator for network businesses, including lower rates of return.”

Estimates in this year’s price trends report for the ACT, New South Wales and Tasmania include the effect of draft determinations made by the regulator under the new rules.

The new rules will be applied to network companies in other National Electricity Market states including Victoria, Queensland and South Australia, in the next round of draft determinations to be made by the AER between July 2015 and January 2016.

Mr Pierce said in the competitive market sectors oversupply of generation capacity was also affecting electricity prices.

“Falling demand is putting downward pressure on wholesale electricity prices over the reporting period, however this trend may not be sustained as the market adjusts to changing conditions and generators exit.

“Increased competition in electricity markets was also providing opportunities for consumers to switch electricity providers and save between 7 and 16 per cent on a better deal in states where market offers were available – or \$93 to \$247 on an annual bill.

---

**The AEMC's 2014  
price trends report  
shows electricity  
prices moderating.  
Trends vary  
across states and  
territories due to  
local factors**

“We would encourage consumers to take advantage of competition between service providers by shopping around and choosing a better deal to save on their bills.”

The removal of the carbon price has reduced electricity prices in 2014/15, however other environmental policies like the Renewable Energy Target and solar feed-in tariff schemes continue to place upward pressure on prices.

The annual Residential Electricity Price Trends report is part of the AEMC's work to strengthen consumer engagement in energy markets.

The full report and further information is available at [www.aemc.gov.au](http://www.aemc.gov.au).

**About the AEMC**

We are the independent body responsible since 2005 for providing advice to Australian governments on development of the electricity and gas sector. We make statutory energy market rules which are applied and enforced by the Australian Energy Regulator (AER).

Media contacts:

Communication Manager, **Prudence Anderson** 02 8296 7817 or 0404 821 935

Communication Specialist, **Tim O'Halloran** 0409 059 617 or 02 8296 7871

EMBARGOED 1pm AEDT, 11 December 2014