



Publication of errata for 2015 Residential Electricity Price Trends

Information about errata for the 2015 Residential Electricity Price Trends report

The AEMC has corrected 2015 Residential Electricity Price Trends data for New South Wales, Victoria, South East Queensland, the ACT and the national summary. The errata does not affect the AEMC's more recent 2016 Residential Electricity Price Trends report.

Background

The 2015 Residential Electricity Price Trends report (2015 report) was published on 4 December 2015. The report outlined average electricity prices specific to the 'representative consumer' in each Australian jurisdiction over the 2014/15 to 2017/18 reporting period. As with all our Price Trends reports, the representative consumer in each jurisdiction is based on annual consumption levels. Estimated prices may not reflect outcomes for all residential consumers and are not forecasts of actual prices. The analysis highlights what factors influence prices based on current expectations, assumptions and government legislation at that time.

In the process of completing the 2016 Residential Electricity Price Trends report (2016 report) calculation errors were identified with the residential electricity price and bill results in the 2015 report.

A summary of these changes is outlined below:

- In New South Wales, 2014/15 average market offer prices in the original version of the 2015 report were higher than they should have been. The updated prices are subsequently lower for all years of the 2014/15 to 2017/18 reporting period. The report now shows average annual residential prices would decrease by 0.5 per cent (instead of increase 0.2 per cent) over the three year reporting period.
- In Victoria, 2014/15 average market offer prices in the original version of the 2015 report were higher than they should have been. The updated prices are subsequently lower for all years of the 2014/15 to 2017/18 reporting period. The report now shows average annual residential prices would decrease by 0.3 per cent (instead of no change) over the three year reporting period.
- In South East Queensland, 2015/16 average market offer prices in the original version of the 2015 report were higher than they should have been. The updated prices are subsequently lower for 2015/16, 2016/17 and 2017/18. The report now shows average annual residential prices would increase by 0.8 per cent (instead of increase 2.3 per cent) over the three year reporting period.
- As a consequence of the New South Wales, South East Queensland and Victoria errors, the national summary results were affected. The national 2014/15 average market offer prices in the original version of the 2015 report were higher than they should have been. The updated prices are subsequently lower for all years of the 2014/15 to 2017/18 reporting period. The report now shows that average annual residential prices nationally would increase by 0.7 per cent (instead of increase 1.1 per cent) over the three year reporting period.

Updated version of 2015 report

An updated version of the 2015 report has been published which addresses all of the changes outlined above. More detail on the errors is outlined below. We note there was a

The errors in the 2015 report do not affect the AEMC's more recent 2016 Residential Electricity Price Trends report.

minor transposition error for the ACT that affected the upper bound scenario of prices potentially resulting from the merits review outcomes. This did not however affect the average market offer prices originally reported.

The updated 2015 report has not been revised to reflect any developments in regulatory outcomes, legal processes or energy market conditions that have occurred since the report was originally published in December 2015.

2016 report is unaffected

The errors in the 2015 report do not affect the AEMC's more recent 2016 report, which covers the 2015/16 to 2018/19 reporting period.

New South Wales

The table below shows the difference between New South Wales average market offer prices in c/kWh, comparing the original 2015 report and updated 2015 report. The updated prices are lower than those originally reported for all years of the reporting period.

New South Wales	2014/15		*2015/16		*2016/17		*2017/18	
	c/kWh	\$/yr	c/kWh	\$/yr	c/kWh	\$/yr	c/kWh	\$/yr
Original 2015 report	28.39	\$ 1,685	27.37	\$ 1,625	27.82	\$ 1,651	28.52	\$ 1,693
Updated 2015 report	22.10	\$ 1,312	20.93	\$ 1,242	21.23	\$ 1,260	21.78	\$ 1,293
Difference	-6.29	\$ (373)	-6.44	\$ (382)	-6.59	\$ (391)	-6.74	\$ (401)
% difference	-22%		-24%		-24%		-24%	

*The prices and bills in these years reflect the status of regulatory outcomes, legal processes and energy market conditions as of December 2015. More recent estimates of prices and bills for these years are provided in the 2016 Residential Electricity Price Trends report.

There is no change in the direction of annual price movements in New South Wales average market offer prices, which decrease in 2015/16 and increase in 2016/17 and 2017/18. The updated prices are lower for all years of the 2014/15 to 2017/18 reporting period. The report now shows average annual residential prices would decrease by 0.5 per cent (instead of increase 0.2 per cent) over the three year reporting period.

The original 2015 report included a transcription error in calculating variable usage charges and inconsistent tariff assumptions for controlled load. This led to an error in the 2014/15 average price estimate, which flowed through in future years.

The competitive market component was the only cost component affected by these errors.

Victoria

The table below shows the difference between Victorian average market offer prices in c/kWh, comparing the original 2015 report and updated 2015 report. The updated prices are lower than those originally reported for all years of the reporting period.

Victoria	2014/15		*2015/16		*2016/17		*2017/18	
	c/kWh	\$/yr	c/kWh	\$/yr	c/kWh	\$/yr	c/kWh	\$/yr
Original 2015 report	31.63	\$ 1,273	32.12	\$ 1,293	31.27	\$ 1,259	31.62	\$ 1,273
Updated 2015 report	28.47	\$ 1,146	28.89	\$ 1,163	27.96	\$ 1,126	28.23	\$ 1,136
Difference	-3.16	\$ (127)	-3.23	\$ (130)	-3.31	\$ (133)	-3.39	\$ (137)
% difference	-10%		-10%		-11%		-11%	

*The prices and bills in these years reflect the status of regulatory outcomes, legal processes and energy market conditions as of December 2015. More recent estimates of prices and bills for these years are provided in the 2016 Residential Electricity Price Trends report.

There is no change in the general direction of annual price movements in Victorian average market offer prices, which were expected to increase in 2015/16, decrease in 2016/17 and increase in 2017/18. The updated prices are lower for all years of the 2014/15 to 2017/18 reporting period. The report now shows average annual residential prices would decrease by 0.3% (instead of no change) over the three year reporting period.

The updated 2015 report corrects errors affecting New South Wales, Victoria, South East Queensland, ACT and the national summary.

Retail market offers for Victoria are extracted from the state government comparator website, Victorian Energy Compare. The consumption level selected in extracting retail market offers from this website for the original 2015 report was too high. This resulted in higher market and standing offer prices being used in the modelling for 2014/15, which flowed through in future years.

The competitive market cost component was the only component affected by this error.

South East Queensland

The table below shows the difference between South East Queensland average market offer prices in c/kWh, comparing the original 2015 report and updated 2015 report. The updated average market offer prices are lower than those originally reported in 2015/16, 2016/17 and 2017/18.

South East Queensland	2014/15		*2015/16		*2016/17		*2017/18	
	c/kWh	\$/yr	c/kWh	\$/yr	c/kWh	\$/yr	c/kWh	\$/yr
Original 2015 report	27.04	\$ 1,399	27.95	\$ 1,446	27.79	\$ 1,438	28.96	\$ 1,498
Updated 2015 report	27.04	\$ 1,399	26.35	\$ 1,363	26.35	\$ 1,363	27.67	\$ 1,431
Difference	0	\$ (0)	-1.60	\$ (83)	-1.44	\$ (75)	-1.29	\$ (67)
% difference	0%		-6%		-5%		-4%	

**The prices and bills in these years reflect the status of regulatory outcomes, legal processes and energy market conditions as of December 2015. More recent estimates of prices and bills for these years are provided in the 2016 Residential Electricity Price Trends report.*

There is a slight change in the general direction of annual price movements in South East Queensland average market offer prices. In the original 2015 report, these prices were expected to increase in 2015/16, decrease in 2016/17 and increase in 2017/18. In the updated 2015 report, these prices are expected to decrease in 2015/16, remain flat in 2016/17 and increase in 2017/18.

The updated prices are lower for 2015/16, 2016/17 and 2017/18. The report now shows average annual residential prices would increase by 0.8 per cent (instead of increase 2.3 per cent) over the three year reporting period.

The Queensland Government's Solar Bonus Scheme (SBS) was introduced in 2008 to provide an incentive for electricity customers to install solar energy systems. The original 2015 report double counted costs associated with the SBS, such that they were counted in the environmental policy and network cost components in 2014/15 and 2015/16. For the purposes of our analysis, SBS costs are more appropriately counted in the environmental policy component.

As a result of this error:

- The network cost component in the original report was higher than it should have been. The updated network cost component is lower for all years of the reporting period.
- The competitive market cost component in the original report was lower than it should have been in all years of the reporting period.

National price summary

The national summary results are calculated through weighted averages of jurisdictional results and consumption levels. As a consequence of the New South Wales, Victoria and South East Queensland errors, the national summary results have been revised.

National	2014/15		*2015/16		*2016/17		*2017/18	
	c/kWh	\$/yr	c/kWh	\$/yr	c/kWh	\$/yr	c/kWh	\$/yr
Original 2015 report	28.72	\$ 1,507	28.55	\$ 1,499	28.83	\$ 1,513	29.65	\$ 1,556
Updated 2015 report	25.68	\$ 1,348	25.21	\$ 1,323	25.43	\$ 1,335	26.20	\$ 1,375
Difference	-3.04	\$ (159)	-3.34	\$ (176)	-3.40	\$ (178)	-3.45	\$ (181)
% difference	-11%		-12%		-12%		-12%	

**The prices and bills in these years reflect the status of regulatory outcomes, legal processes and energy market conditions as of December 2015. More recent estimates of prices and bills for these years are provided in the 2016 Residential Electricity Price Trends report.*

There is no change in the general direction of the trend in the national average prices, which were expected to decrease in 2015/16 and increase in 2016/17 and 2017/18.

The national 2014/15 average market offer prices in the original version of the 2015 report were higher than they should have been. The updated prices are subsequently lower for all years of the 2014/15 to 2017/18 reporting period. The report now shows that average annual residential prices nationally would increase by 0.7 per cent (instead of increase 1.1 per cent) over the three year reporting period.

For information contact:

AEMC Senior Director, **Kris Funston** (02) 8296 7811
AEMC Director, **Owen Pascoe** (02) 8296 7856

Media: Communication Manager, Prudence Anderson 0404 821 935 or (02) 8296 7817

Date: 23 February 2017

The estimated prices for 2015/16, 2016/17 and 2017/18 in the updated 2015 report have been corrected but still reflect the status of regulatory processes and energy market conditions in December 2015. More recent estimates of prices in these years are provided in the 2016 report.