

NEWS

NSW power prices trending down for another three years

Australian Energy Market Commission
Residential electricity price trends report 2020

NSW households can look forward to lower electricity prices between now and 2023, with new modelling showing an expected 2% drop – a saving of nearly \$30.

The AEMC's annual Residential electricity price trends report shows that prices are expected to drop by 5.4% and 4.1% over the next two years respectively, with a possible 7.8% price rise in 2022/23 following the closure of the Liddell power station.

However, the report modelling pre-dates recent announcements on renewable energy in both NSW and Victoria and so 2023 prices in NSW could well look different.

AEMC Chief Executive Benn Barr said the 11th price trends report shows costs falling across two of the three key drivers of NSW consumers' bills between FY 2019/20 and FY 2022/23.

- **Wholesale costs** are expected to fall by 12% or about \$60 as more new generation comes into the market, demand stays flat and as gas prices stay low. This is an annual average drop of 4.1%
- **Environmental costs** are expected to be about \$10 or 13% lower, driven by a drop in Large-scale Renewable Energy Target costs as more generation comes online. This is an annual average drop of 4.6%
- **Network costs** are projected to rise by 4% or about \$25 over the period (an annual average increase of 1.5%). This is due to increased transmission costs.

"The NSW results demonstrate how new sources of electricity generation like solar and wind are driving down wholesale prices," Mr Barr said.

"It's great to see prices falling because at the AEMC what drives us is how to keep the lights on and costs down in a decarbonising power system. We are working with our colleagues on the Energy Security Board to best manage the major transformational change that is taking place in the national electricity market.

"Understanding what's driving prices can give the NSW Government information on underlying costs to compare with price changes retailers seek to make from 1 July. This report has been giving governments forward looking, policy-relevant information on energy prices for more than a decade – but it is important to stress these are projections not predictions. Trends can change sharply in response to new policies and sudden market changes."

Prices in this report are based on a 'most common NSW consumer' – a two-person household with no pool, consuming 4215kWh of electricity a year in addition to a mains gas connection.

Actual prices will depend on how and when electricity is used in each home and which type of energy offer they are on. Consumers can shop around for the best energy deal using sites such as the Australian Energy Regulator's comparison site Energy Made Easy.

About 88% of customers in NSW are now on market offers rather than more expensive standing offers. However, the 11.8% of NSW customers still on standing offers could save up to \$205 a year on their energy bill if they shopped around.

Continued

Knowing how much power you use and when you use it is becoming more important as new technologies and information platforms become more accessible.

Integrating new technologies into the power system and expanding consumers' ability to participate in the energy market and control their energy consumption is a key focus for the AEMC.

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About this report

This price trends report informs a range of stakeholders including the International Energy Agency, Reserve Bank of Australia and the Australian Energy Market Operator.

It provides governments with information about which parts of the sector are driving electricity prices and provides context for long-term decision making on energy policy.

It also helps customers understand the costs included in their electricity bill.

Price trends identified in this report are not a forecast of actual prices, but rather a guide to pricing and bill directions based on current expectations, policy and legislation. Actual price movements will be influenced by how retailers compete, the dynamics of wholesale, spot and contract markets, the outcomes of network regulatory decisions and changes in policy and regulation.

Prices modelled are an average of the lowest market offer of each retailer weighted by market share.

Prices relate to a 'typical customer', which refers to the most common type of household based on electricity consumption.

About the AEMC

The Australian Energy Market Commission makes the rules for the National Electricity Market, elements of the natural gas market and related retail markets. We provide strategic and operational advice to governments on energy and protect consumers with the right trade-off between cost, reliability and security

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AUSTRALIAN ENERGY MARKET COMMISSION

ELECTRICITY PRICE TRENDS REPORT 21 DECEMBER 2020

NEW SOUTH WALES ELECTRICITY MARKET PRICES ARE DECREASING

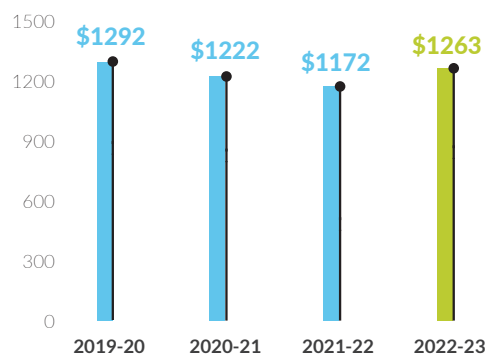
Wholesale and environmental costs look set to fall in NSW but network costs are likely to rise. We have also modelled a possible increase in price in 2022-23 following the closure of the Liddell power station however prices are still expected to be lower than today and these figures don't take into account recent NSW Government announcements to boost generation capacity.



CONSUMER

The representative consumer in NSW is a two-person household using mains gas along with electricity and on a market offer power bill (with total annual consumption level of 4,215/kWh).

Annual electricity bill for a typical residential customer



AT A GLANCE



WHOLESALE

The cost of generating electricity

Wholesale costs are expected to fall by 12% or \$57 over the reporting period as more new generation comes into the market with demand staying flat and gas prices staying low. This is an annual average drop of 4.1%.



NETWORKS

Poles and wires costs depend on regulator revenue determinations

Network costs are projected to rise by 4% or \$25 over the reporting period (an annual average increase of 1.5%). This is due to increased transmission costs.



ENVIRONMENTAL

Direct costs of government schemes like the renewable energy target

Environmental costs are expected to be \$12 or 13% lower over the reporting period, driven by a drop in the Australian Government's Large-scale Renewable Energy Target costs as more generation comes online. This is an annual average drop of 4.6%. Environmental costs also include the NSW Government's climate change fund and energy savings scheme.

ABOUT THIS REPORT

The AEMC price trends report informs a range of stakeholders including the International Energy Agency, Reserve Bank of Australia and the Australian Energy Market Operator. It provides governments with information on how costs in different parts of the electricity sector are driving future prices and provides context for long-term decision making on energy policy.

The representative consumer is different for each jurisdiction depending on demographic profiles and is defined by using a representative energy consumption level.