AEMC

NEWS

Power prices in south east Queensland continuing to fall

Australian Energy Market Commission
Residential electricity price trends report 2020

An influx of solar and wind generation is expected to drive down power prices in south east Queensland by 14% − or about $190 – over the next three years, the AEMC's annual Residential electricity price trends report shows.

"The modelling results in our 2020 report demonstrate how new electricity generation is driving down prices and how network regulation can work for consumers," said AEMC Chief Executive Benn Barr.

"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.

Mr Barr said the AEMC's 11th price trends report shows costs falling across two of the three drivers of south east Queensland consumers' bills between FY 2019/20 and FY 2022/23.

- **Wholesale costs** are estimated to fall by 35% or nearly $190 (an annual average drop of 13.2%). Lower gas prices, as well as increased electricity generation, are playing a role.
- **Network costs** are expected to come down by 7% or just over $40 (an annual average drop of 2.2%) due to an over-recovery of distribution use of system charges being returned to consumers.
- **Environmental costs** are expected to increase by 34% or nearly $30 (an annual average increase of 10%).

There are further savings to be had among the 14% of households in south east Queensland still on more expensive standing offers rather than cheaper market offers.

Those customers could save up to $213 on their energy bill if they shopped around.

Prices in this report are based on a 'most common south east Queensland consumer' – a two-person household with no pool consuming 5240kWh of electricity a year, of which 15% is on a lower cost-controlled tariff.

"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," Mr Barr said.

"Trends can change sharply in response to new policies and sudden market changes."

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.

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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There are even further savings to be had among the 39% of households in south east Queensland on more expensive standing offers … who could save up to $213 a year on their energy bill if they shopped around.

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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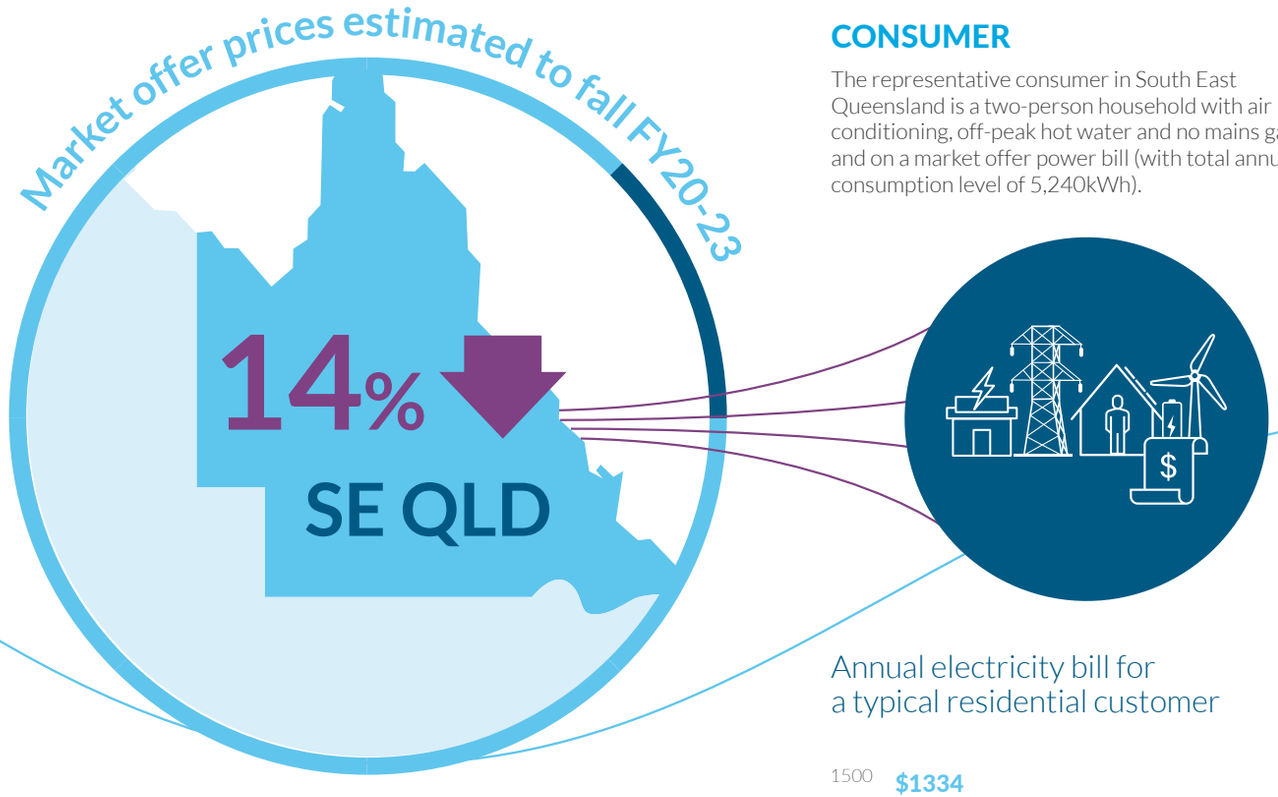
AUSTRALIAN ENERGY MARKET COMMISSION

ELECTRICITY PRICE TRENDS REPORT 21 DECEMBER 2020

SOUTH EAST QUEENSLAND ELECTRICITY MARKET PRICES ARE DECREASING

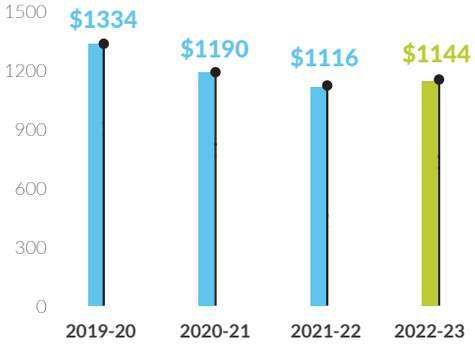
In South East Queensland, household electricity bills are likely to be $190 cheaper by 2023. This is because wholesale and network costs are both dropping, though environmental costs are expected to increase.



CONSUMER

The representative consumer in South East Queensland is a two-person household with air conditioning, off-peak hot water and no mains gas and on a market offer power bill (with total annual consumption level of 5,240kWh).

Annual electricity bill for a typical residential customer



AT A GLANCE

WHOLESALE

The cost of generating electricity

Wholesale costs are estimated to fall by 35% or $188 (an annual average drop of 13.2%) as a result of more solar and wind and lower gas prices.

NETWORKS

Poles and wires costs depend on regulator revenue determinations

Network costs are expected to come down by 7% or $42 (an annual average drop of 2.2%) due to an over-recovery of distribution use of system charges being returned to consumers.

ENVIRONMENTAL

Direct costs of government schemes like the renewable energy target

Environmental costs are expected to increase by 34% or $29 (an annual average increase of 10%). Environmental costs on bills include the Australian Government's Large scale Renewable Energy Target and the Queensland Government's solar bonus 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.