AEMC
Australian Energy Market Commission
GPO Box 2603 Sydney NSW 2001
T 02 8296 7800
E media@aemc.gov.au
ABN 49 236 270 144
www.aemc.gov.au

Household electricity bills trending down

Australian Energy Market Commission Residential electricity price trends report 2021

Households can expect to pay around $77 less (or 6%) for electricity in 2024 than they do today, as cheaper renewable energy flows to consumers, reducing prices to their lowest levels since 2017.

The AEMC's 2021 annual residential electricity price trends report examines the direction household electricity prices will take over the next three years. It finds that lower wholesale costs, and reduced environmental costs in most regions, are continuing to drive overall prices down.

AEMC Chair Anna Collyer said the report shows that, based on current trends, prices per kilowatt hour are likely to be under 26c p/kWh by June 2024, the first time since 2016/17.

"This illustrates how integrating renewables in a smart way makes it possible to have both lower emissions and lower costs for consumers," Ms Collyer said.

"We can now see far enough into the future to be confident that power prices paid by consumers will continue to trend downwards over the next three years, despite the staged exit of Liddell power station in 2022 and 2023, one of the biggest coal-fired generators in the national electricity market.

"But while wholesale costs and environmental costs are trending lower, we are starting to see increases in the cost of network investments, and this is likely to accelerate over the next decade as more network investment is required to connect dispersed new generation to the grid.

"There are also regional differences across states and territories in the national electricity market that will affect price outcomes. And what energy offer you have, how much you use and whether you also have solar or gas will also affect your bill."

Overall:

- **Wholesale costs** are expected to fall by about $92 between FY20/21 and FY23/24, building on falls during FY20/21. Wholesale costs represent about 35% of the representative customer's bill across the national energy market.
- **Network costs** are expected to increase by about $31 out to FY23/24, equally spread across transmission and distribution networks.
- **Environmental costs** are expected to drop by $16 out to FY23/24 due to a decrease in large-scale renewable energy costs as more renewable generation comes online. After seeing these costs mostly increase over the past decade, they are projected to drop in FY22/23 and FY23/24.[1]

Across the national electricity market jurisdictions from FY20/21 to FY23/24:

- **South East Queensland** electricity prices are estimated to fall by 10% or $126 (an annual average drop of -3.6%)
- **South Australian** electricity prices are estimated to fall by 2% or just over $35 (an annual average drop of -0.7%)

- **Victorian** electricity prices are estimated to fall by 8% or about $99 (an annual average drop of -2.6%)
- **NSW** electricity prices are estimated to fall by 4% or about $50 (an annual average drop of -1.3%)
- **ACT** electricity prices are estimated to rise by 4% or $77 (an annual average increase of 1.3%)
- **Tasmanian** electricity prices are estimated to fall by 6% or $125 (an annual average drop of -2.1%).

Ms Collyer said the report shows that prices are expected to fall slightly in FY21/22, increase by around $20 a year in FY22/23 as Liddell exits the system, and then fall again as lost capacity is replaced by a combination of solar, wind, gas and batteries.

"While we have just under 2,500MW of generation expected to exit the grid over the next three years, there are almost 5,500MW of committed new large-scale generation and storage projects coming online over the same time period," Ms Collyer said.

"This is in addition to 4,130 MW of new rooftop solar PV capacity, which will also influence prices by lowering demand and through exports."

"This diversity of generation and storage puts us in a strong position to manage the forecast retirement of Liddell in NSW and the closure of gas fired generators in SA and Qld. Understanding what's driving prices highlights the importance of being smart in how we connect resources to the grid and ensure the back-up needed for a secure supply, so the benefits of low cost and low emission generation aren't eroded," she said.

"Everything we're doing at the AEMC and ESB is about making the most of renewables. That means maximising the benefits through reforms to distributed energy resources such as solar, minimising the emerging costs of planned network investments to connect renewables to consumers, while ensuring we have electricity when and where we need it to keep the lights on."

Media: media@aemc.gov.au or 0409 514 643

About this report

This price trends report 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 on 17 September 2021, weighted by market share. Prices relate to a 'typical customer', which refers to the most common type of household based on electricity consumption.

No two households use energy in the same way, and many source at least some of their electricity demand from solar PV or gas. Knowing how much power you use and when is important to control power

bills into the future as new technologies become more affordable and energy entrepreneurs expand demand response options for consumers.

About the AEMC

The Australian Energy Market Commission is the rule maker for Australian electricity and gas markets. We make and amend the National Electricity Rules, National Gas Rules and National Energy Retail Rules. We also provide market development advice to governments.

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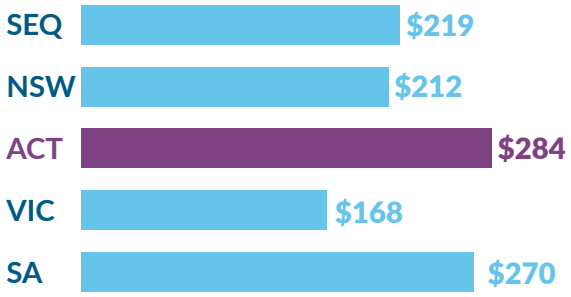
AUSTRALIAN ENERGY MARKET COMMISSION

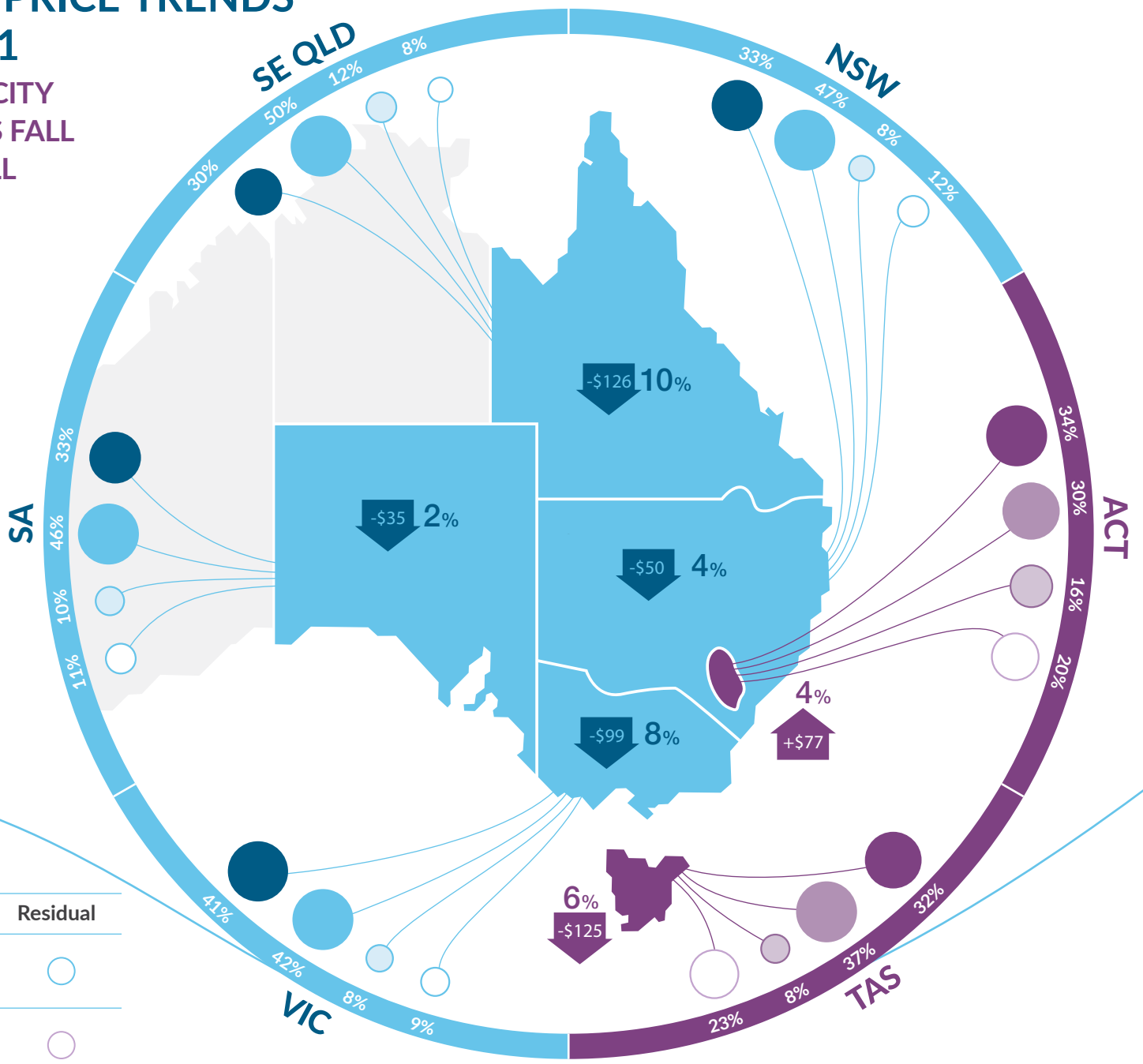
RESIDENTIAL ELECTRICITY PRICE TRENDS AROUND THE NATION 2021

ALL STATES IN THE NATIONAL ELECTRICITY MARKET ARE EXPECTED TO SEE PRICES FALL OVER THE NEXT THREE YEARS. A SMALL RISE IS EXPECTED FOR THE ACT.

Indicative consumer savings available from switching to the lowest competitive market offer from the lowest regulated standing offer in each jurisdiction.*



*Electricity prices for all consumers in Tasmania are set by the Tasmanian Economic Regulator



Supply chain cost components of a typical bill

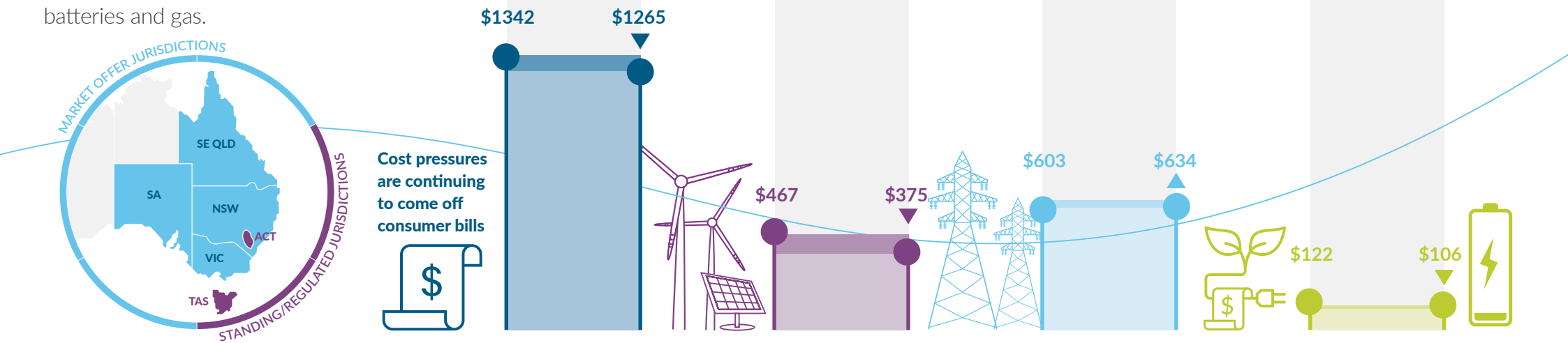
	Wholesale	Networks	Environmental	Residual
Market offer	●	●	●	○
Standing/ regulated	●	●	●	○

AUSTRALIAN ENERGY MARKET COMMISSION

RESIDENTIAL ELECTRICITY PRICE TRENDS REPORT 25 NOVEMBER 2021

OVERALL POWER PRICES SET TO FALL TO 2024

The biggest driver of price falls in the next three years will be new and cheaper electricity generation like wind and solar. Lower cost wholesale generation and reduced environmental scheme costs in most regions are continuing to drive overall prices down, especially when supported by the added security of on-call stored energy like batteries and gas.



Bill = USAGE x PRICE

Every household is different. Bills change depending on how much power you use and when. Demand is affected by temperatures where you live and costs can depend on state/territory government policies and whether or not your local network needs extra investment.

OVERALL SUPPLY COSTS

Most Australians can expect to see electricity prices fall overall over the next three years.

WHOLESALE

New generators, mainly renewables, continue to expand capacity and drive significant falls in wholesale prices. We are also seeing positive early evidence of how energy storage, like batteries, is helping to lower prices.

NETWORKS

Small increases in network costs partially offset the wholesale cost cuts from renewables and underline the importance of work under way to support the timely and efficient delivery of transmission services.

ENVIRONMENTAL POLICY

These costs include the Australian Government's Renewable Energy Target, these costs are projected to keep falling.