

NEWS

Household electricity bills set to fall over next three years

Australian Energy Market Commission
Residential electricity price trends report 2020

Households can expect to be paying about \$120 (or 9%) less for electricity in 2023 than they do today, the AEMC's latest annual residential electricity price trends report shows.

The 2020 report examines the direction household electricity prices will take over the next three years and what's driving that direction. It has found for the second year running that prices will continue to fall – and the main reason for the drop is lower gas prices and the introduction of new sources of energy generation like solar and wind.

"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," AEMC Chief Executive Benn Barr said.

"The three key drivers of household electricity bills – wholesale costs, network costs and environmental costs – are all falling, which accounts for the overall drop that we are seeing.

"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 and how much you use will also affect your bill."

Overall:

- **Wholesale costs** are expected to fall by about \$150 between FY19/20 to FY22/23 as more generation capacity enters the system and gas prices stay low
- **Network costs** should also fall by about \$4 out to FY22/23. While transmission costs will increase by about \$13, distribution and metering costs will likely offset this with a drop in the order of \$17
- **Environmental costs** are expected to drop by \$5 out to FY22/23 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 have now been projected to drop for two years running.

Across the national electricity market jurisdictions from FY19/20 to FY22/23:

- **South East Queensland** electricity prices estimated to fall overall by 14% or \$190 (an annual average drop of 5%)
- **South Australian** electricity prices estimated to fall overall by 11% or just over \$200 (an annual average drop of 3.7%)
- **Victorian** electricity prices estimated to fall overall by 15% or about \$170 (an annual average drop of 5.3%)
- **NSW** electricity prices estimated to fall overall by 2% or about \$30 (an annual average drop of 0.8%)
- **ACT** electricity prices estimated to rise overall by 2% or \$45 (an annual average increase of 0.7%)
- **Tasmanian** electricity prices estimated to fall overall by 4% or \$70 (an annual average drop of 1.2%).

The main reason prices are falling is new and cheaper energy generation like solar and wind along with batteries and lower gas prices.

Continued

“Our report shows that prices will fall over FY20/21 and FY21/22 and could increase slightly in FY22/23 if there is less capacity following the scheduled exit of some coal-fired power from the market” Mr Barr said. “But the outcome for 2023 prices may well be different following recent announcements on increasing renewable energy capacity in both NSW and Victoria.

“We conducted our analysis before those announcements were made and so our numbers do not reflect the impact those developments could have on prices. In any case, the overall figures show that prices in 2023 will still be lower than they are today.

“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.”

Understanding what’s driving prices can help give state and territory governments the information they need to help determine if price changes announced each year by retailers are consistent with changes in the power system’s underlying costs.

This year’s report also demonstrates that there are still significant savings to be had from shopping around for the best energy deal via sites such as the Australian Energy Regulator’s comparison site Energy Made Easy.

Price trends affect individual households differently, depending on how much electricity they use, and which energy offer they are on. 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

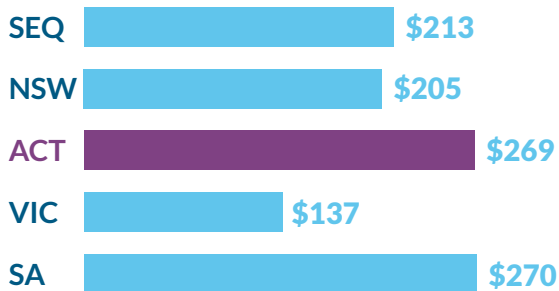
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AUSTRALIAN ENERGY MARKET COMMISSION









RESIDENTIAL ELECTRICITY PRICE TRENDS AROUND THE NATION 2020

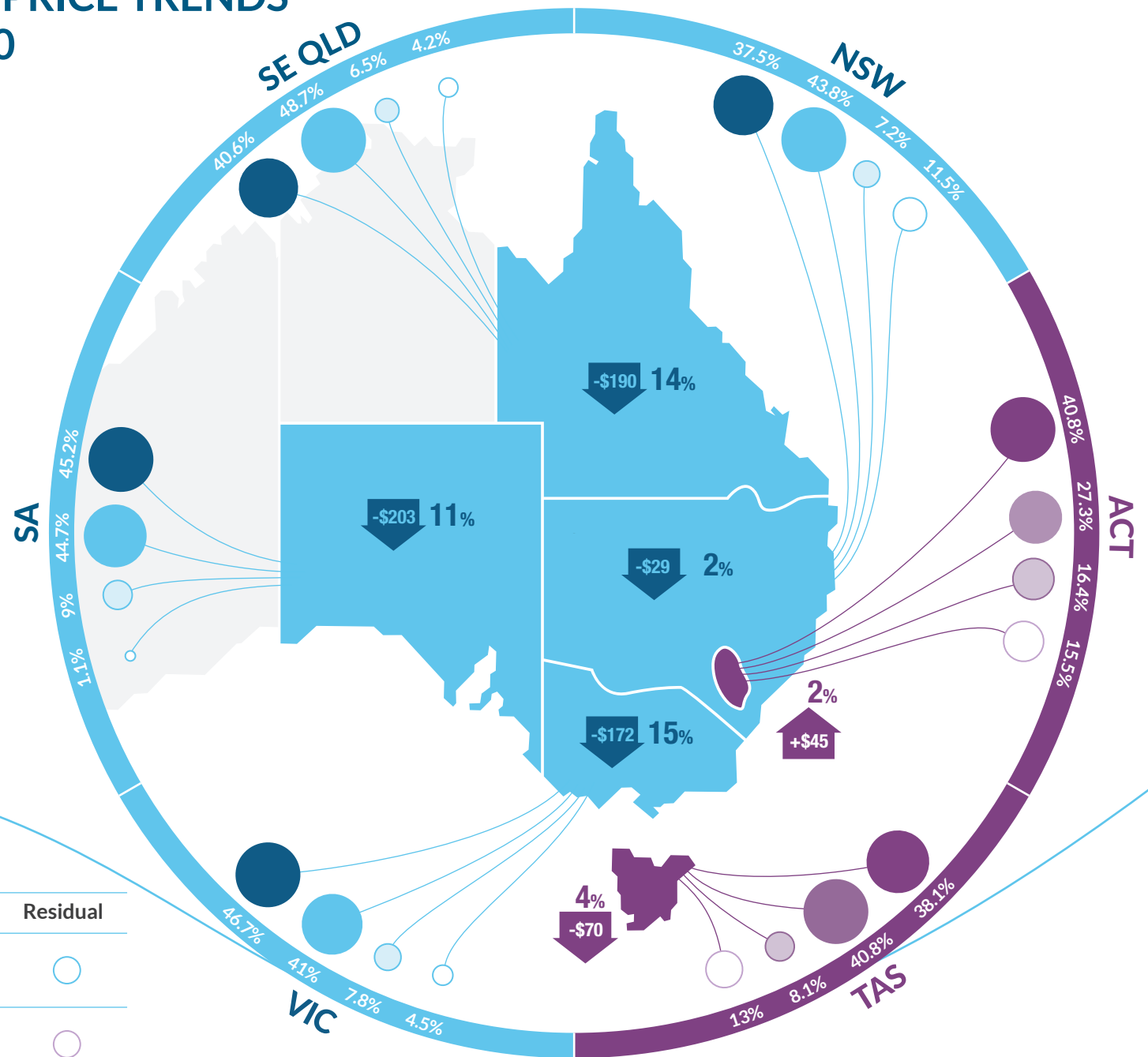
All states in the national electricity market are expected to see falls over the next three years. Small rise estimated for the ACT.

Savings from switching to the lowest market offer from the lowest standing offer for a representative consumer



Supply chain cost components of a typical bill

	Wholesale	Networks	Environmental	Residual
Market offer				
Standing/regulated				

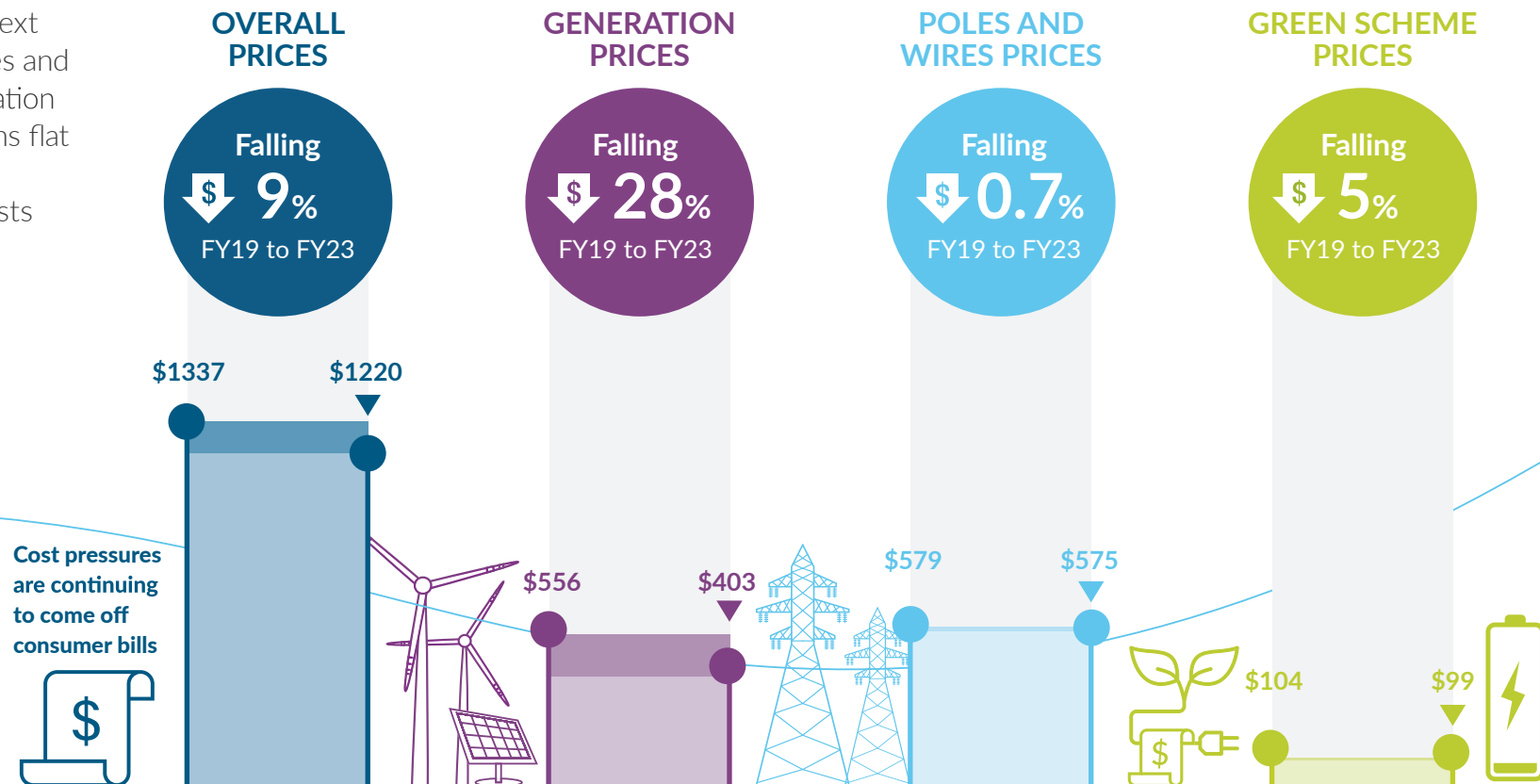


AUSTRALIAN ENERGY MARKET COMMISSION

POWER PRICES SET TO FALL OUT TO 2023

RESIDENTIAL ELECTRICITY PRICE TRENDS REPORT 21 DECEMBER 2020

The biggest driver of price in the next few years will be cheaper gas prices and new and cheaper electricity generation like wind and solar. Demand remains flat so increased power supply from renewables is driving wholesale costs lower.



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 falling electricity prices over the next three years.

WHOLESALE

New generation capacity is entering the system and driving significant falls in wholesale prices.

NETWORKS

The cost of connecting new generation to distribution and transmission networks is coming down.

ENVIRONMENTAL POLICY*

After mostly increasing over the past decade we have projected for two years running that these costs will drop.

* These costs include the Australian Government Renewable Energy Target and relevant jurisdictional schemes.