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NSW electricity bills to fall over next three years despite old coal exits

Australian Energy Market Commission Residential electricity price trends report 2021

NSW households can expect to be paying less for their electricity by 2024, with new modelling showing any price increases in the short-term likely to be more than offset by new, cheaper sources of energy over the next three years.

The AEMC's 2021 annual Residential electricity price trends report shows that prices are expected to increase by $24 (2%) to June 2022 as a result of higher gas and fuel prices, and by more than $90 (7.2%) in FY22/23 as a result of the staged closure of the Liddell power station in April 2022 and April 2023. They are then expected to fall by more than $160 (-12.1%) by June 2024 as the lost capacity is replaced by a combination of solar, wind, gas and batteries.

AEMC Chair Anna Collyer said the report shows that while the closure of Liddell, which removes a potential 2,000MW of generation from the system, will increase prices, the impacts will be short-lived and NSW households can expect to pay $50 (4%) less than they do today by 2024.

"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.

The AEMC's 12th price trends report shows that wholesale costs, which typically represent 35% of consumer bills, are falling along with environmental costs, while network costs rise slightly. Network cost increases are likely to accelerate over the next decade as more network investment is required to connect dispersed new generation to the grid.

Overall, NSW consumers' bills between FY 2020/21 and FY 2023/24 are likely to be impacted by:

- **Wholesale costs** falling by almost 8% or about $32 over the three years. This is an annual average drop of -2.7%.
- **Environmental costs** falling by about $18 or 18%, driven by a drop in Large-scale Renewable Energy Target costs as more generation comes online. This is an annual average drop of -6.3% with falls seen in each year.
- **Network costs** projected to rise by almost 5% or about $28 over the period (an annual average increase of 1.6%). This is primarily due to increased transmission costs[2].

Ms Collyer said just under 2,500MW of generation is expected to exit the grid over the next three years, including 2,000MW from Liddell, to be replaced by almost 5,500MW of committed new generation and storage projects coming online over the same time period. This is addition to 4,130 MW of new rooftop solar PV capacity, which will also influence prices by lowering demand and through exports.

"In NSW, significant new generation has been committed including 11 solar projects, two wind projects at Bango and Gullen Range, a new gas fired generator at Kurri Kurri and a new battery at Wallgrove in western Sydney," Ms Collyer said.

"This diversity of generation and storage puts us in a strong position to manage the forecast retirement of Liddell and 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."

Prices in this report are based on a 'most common NSW consumer' – a two or three-person household with no pool, consuming 4362kWh of electricity a year in addition to a mains gas connection, and on a market offer.

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 $212 a year on their energy bill if they shop around.

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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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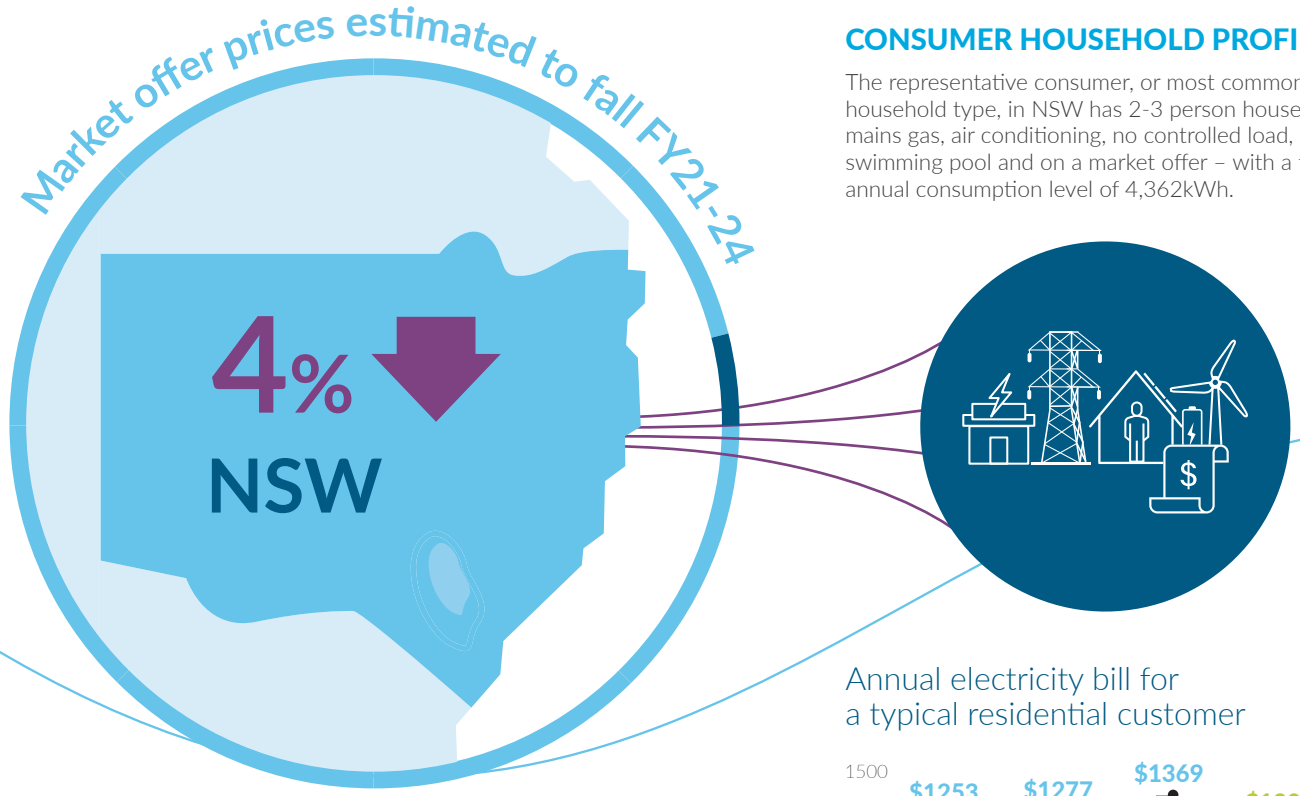
AUSTRALIAN ENERGY MARKET COMMISSION

RESIDENTIAL ELECTRICITY PRICE TRENDS REPORT 25 NOVEMBER 2021

NEW SOUTH WALES ELECTRICITY MARKET PRICES ARE DECREASING

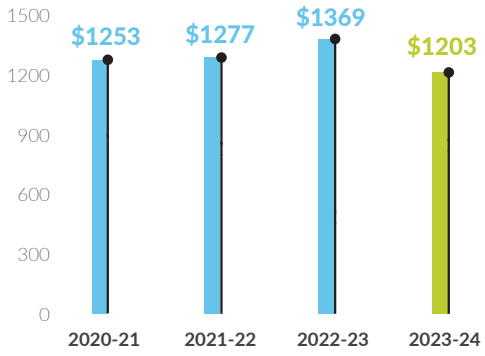
The annual residential bill in New South Wales is expected to fall by four per cent or $50 over the reporting period. A number of forces are putting both upward and downward pressures on prices with the influx of new renewable generation capacity foreshadowed for 2023 and 2024 offsetting the transient rise in wholesale costs in 2022 and 2023 flowing from the Liddell plant closure.



CONSUMER HOUSEHOLD PROFILE

The representative consumer, or most common household type, in NSW has 2-3 person household, mains gas, air conditioning, no controlled load, no swimming pool and on a market offer – with a total annual consumption level of 4,362kWh.

Annual electricity bill for a typical residential customer



AT A GLANCE

WHOLESALE

The cost of generating electricity

The wholesale cost to consumers, which includes retailer contract costs, will rise in FY22 due to higher gas prices and fuel costs before this effect is offset by increased supply capacity contributing to an overall eight per cent, or $32, reduction in wholesale prices.

NETWORKS

Poles and wires costs depend on regulator revenue determinations

Regulated network costs are expected to increase by five per cent, or $28, over the reporting period due to increased transmission network costs.

ENVIRONMENTAL

Direct costs of government schemes like the renewable energy target

Environmental costs are expected to fall by 18 per cent, or $18, over the reporting period driven by changes in the cost of the large-scale renewable energy target (LRET).

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