

South Australia's household electricity bills trending down

Australian Energy Market Commission Residential electricity price trends report 2021

Household electricity bills in South Australia are expected to fall by \$35 over the next three years, adding to falls of \$142 between mid-2020 and July 2021.

New modelling released today by the Australian Energy Market Commission (AEMC) shows the impact of rising large-scale renewables, rooftop solar and battery storage across the national electricity market in driving wholesale prices down.

Operating at the forefront of the renewables revolution, AEMC Chair Anna Collyer said South Australia would continue to see wholesale prices fall despite the withdrawal of 420MW of generation capacity with the closure of Torrens Island and Osborne units over this reporting period.

“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.

“What we are seeing is the impact of new generation already commissioned as well as new capacity committed across the national electricity market (NEM), including the new 86MW Lincoln Gap wind farm and the 154MW Snapper Point gas-fired power station – both due to come online in South Australia over the next three years.”

Ms Collyer said the AEMC's 12th price trends report shows that while wholesale costs and environmental costs are trending lower in South Australia, regulated network charges, which represent about 46% of household electricity bills in that state, are increasing. This is likely to accelerate over the next decade as more network investment is required to connect dispersed new generation to the grid.

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

- **Wholesale costs** falling by almost 14 per cent, or \$79, over the reporting period. This is an annual average drop of -4.9% and follows falls of \$279 from mid-2020 to the middle of this year.
- **Environmental costs** falling by about 15 per cent, or \$26, over the reporting period, driven by a drop in Large-scale Renewable Energy Target costs as more generation comes online.. This is an annual average drop of -5.4% and sees falls in each year.
- **Network costs** projected to rise by more than two per cent, or \$18, over the reporting period, driven by both transmission and distribution networks. This is an average annual increase of 0.75%⁵.

Ms Collyer said just under 2,500MW of generation is expected to exit the national electricity market over the next three years, 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.

“The diversity of generation and storage being developed puts us in a strong position to manage the forecast retirement of ageing thermal generators. It 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 renewable generation are not eroded.”

Prices in this report are based on a ‘most common South Australian consumer’ – a two-person household with mains gas, on a market offer – and with a total annual consumption level of 5,000/kWh.

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 91.3% of customers in South Australia are now on market offers rather than more expensive standing offers. However, the 8.7% of South Australian customers still on standing offers could save up to \$270 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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RESIDENTIAL ELECTRICITY PRICE TRENDS REPORT 25 NOVEMBER 2021

SOUTH AUSTRALIA'S ELECTRICITY MARKET PRICES ARE DECREASING

The annual residential bill in South Australia is expected to fall by two per cent, or \$35, over the reporting period. The overall fall in wholesale costs is offset to some extent by increasing transmission network costs.

Market offer prices estimated to fall FY21-24

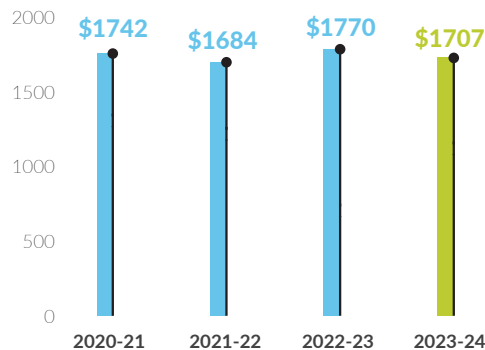
2%
SA

CONSUMER HOUSEHOLD PROFILE

The representative consumer in South Australia has 2 people, mains gas, and is on a market offer – with a total annual consumption level of 5,000kWh.



Annual electricity bill for a typical residential customer



AT A GLANCE



WHOLESALE

The cost of generating electricity

Wholesale costs are expected to fall by 14 per cent, or \$79, over the reporting period, driven by increasing solar PV penetration.



NETWORKS

Poles and wires costs depend on regulator revenue determinations

Regulated network costs are expected to increase by two per cent, or \$18, over the reporting period due to increasing transmission network costs.



ENVIRONMENTAL

Direct costs of government schemes like the renewable energy target

Environmental costs are expected to fall by 15 per cent, or \$26, over the reporting period due to falling LRET costs as a result of lower LGC spot prices.

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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.