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Victorian electricity prices to continue falling

Australian Energy Market Commission Residential electricity price trends report 2021

Household electricity bills in Victoria are expected to fall by almost $100 over the next three years, pushing prices to the lowest level for more than a decade.

New modelling released today by the Australian Energy Market Commission (AEMC) shows that an influx of renewables and battery storage is expected to reduce wholesale electricity prices by around 39% or $207 in Victoria by 2024. This will be partially offset by a $36 rise in regulated network costs.

AEMC Chair Anna Collyer said the findings include the impact of 918MW of new wind farms, 116MW of new solar farms and 320MW of new battery storage to come online in Victoria over the next three years. "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 while wholesale costs and environmental costs are trending lower, regulated network charges, which represent about 42% of household electricity bills, 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, Victorian consumers' bills between FY 2020/21 and FY 2023/24 are likely to be impacted by:

- **Wholesale costs** falling by 39% or about $207 over the three years. This is an annual average drop of -15%
- **Environmental costs** falling by about $12 or 11% lower**,** driven by a drop in Large-scale Renewable Energy Target costs as more generation comes online. This is an annual average drop of -3.9% and is the fourth consecutive year in which these costs have fallen.
- **Network costs** projected to rise by almost 7% or about $36 over the period (an annual average increase of 2.2%) across both transmission and distribution networks[3].

In 2021/22 and 2022/23 Victorian prices overall are expected to drop by -3.4% and -2.9% respectively. In 2023/24, the pace of savings is expected to slow to -1.7%.

Ms Collyer said just under 2,500MW of generation is expected to exit the national electricity market (NEM) 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.

"In Victoria, significant new generation has been committed including wind farm projects at Berrybank, Murra Warra and Stockyard Hill, two solar projects at Winton and Cohuna, and the Victorian Big Battery and Bulgana battery," Ms Collyer said.

"This diversity of generation and storage across the NEM puts us in a strong position to manage the forecast retirement of ageing thermal generators 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 Victorian consumer' – a two to three-person household with no pool, consuming 4727kWh 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 Victorian Government's comparison site Victorian Energy Compare.

About 95% of customers in Victoria are now on market offers rather than more expensive standing offers. However, the 5% of Victorian customers still on standing offers could save up to $167 a year on their energy bill if they shop around.

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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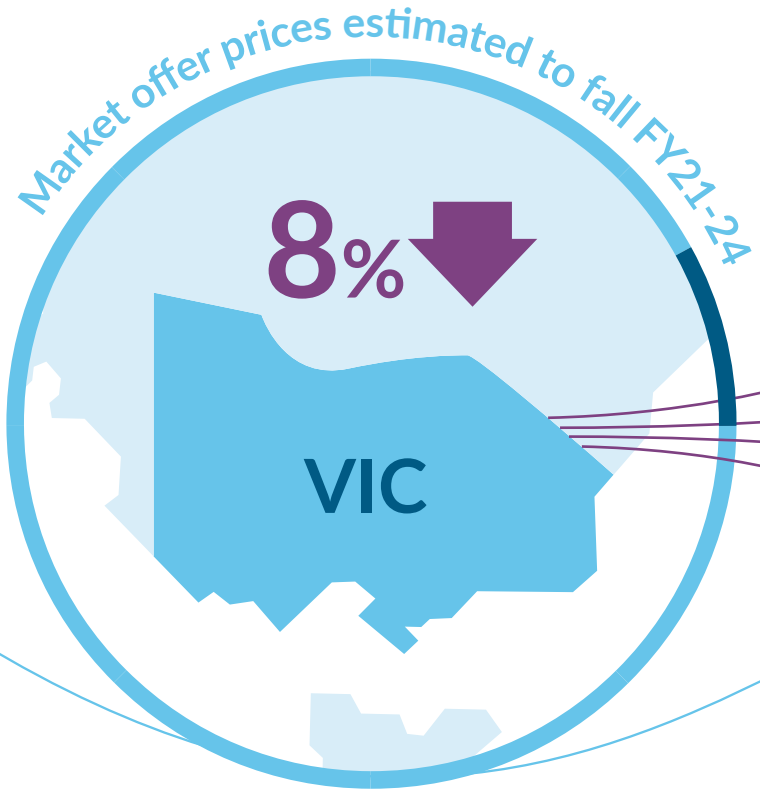
AUSTRALIAN ENERGY MARKET COMMISSION

RESIDENTIAL ELECTRICITY PRICE TRENDS REPORT 25 NOVEMBER 2021

VICTORIA ELECTRICITY MARKET PRICES ARE DECREASING

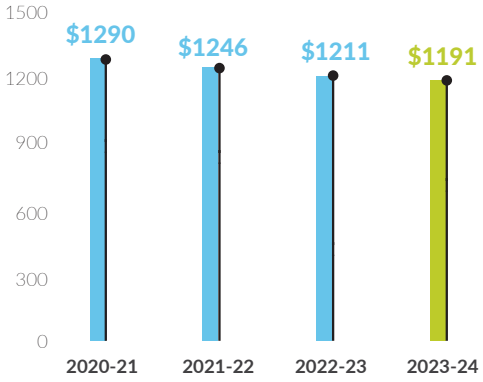
The annual residential bill in Victoria is expected to fall by eight per cent, or $99, over the reporting period largely due to the significant influx of new renewable capacity which will drive down wholesale costs in each of the next three years.



CONSUMER HOUSEHOLD PROFILE

The representative consumer, or most common household type, in Victoria has 2-3 people, mains gas, no controlled load, no swimming pool, electric space heating and is on a market offer – with a total annual consumption level of 4,727kWh.

Annual electricity bill for a typical residential customer



AT A GLANCE

WHOLESALE

The cost of generating electricity

Wholesale costs are expected to fall by 39 per cent, or $207, over the reporting period driven by increasing generation capacity, particularly wind farms.

NETWORKS

Poles and wires costs depend on regulator revenue determinations

Regulated network costs are expected to rise by seven per cent, or $36, mainly due to an increase in costs in the provision of distribution network infrastructure in FY22.

ENVIRONMENTAL

Direct costs of government schemes like the renewable energy target

Environmental costs are expected to fall by 11 per cent, or $12, 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.