

AEMC 2013 ELECTRICITY PRICE TRENDS REPORT*

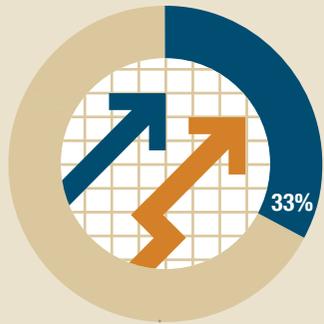
THIS REPORT LOOKS AT WHAT FACTORS WILL DRIVE RESIDENTIAL ELECTRICITY PRICES OVER THE NEXT THREE YEARS TO 30 JUNE 2016

OVERALL national average prices will increase by an average of 1.2% a year
But trends vary across time and across states and territories

WHAT YOU PAY FOR

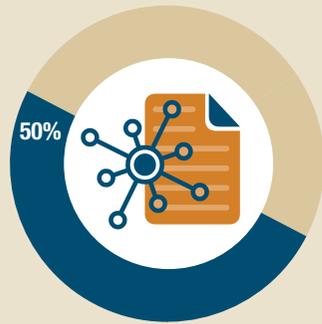
Competitive markets

Wholesale costs and retail. In the states where there are market offers, consumers can save money if they shop around



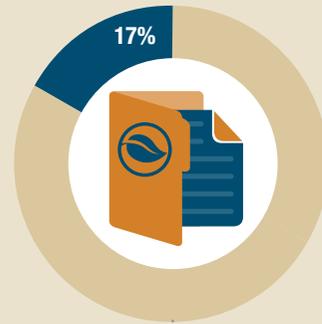
Regulated networks

Pressure on costs of poles and wires is moderating



Environmental policies

Continue to place downward and upward pressure on prices



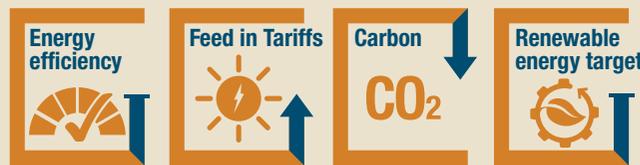
PRICE TRENDS



- Competitive market costs increase, on average, by 2% a year
- By switching from a standing offer to a market offer consumers can save 5 – 16% (depending on where they live)

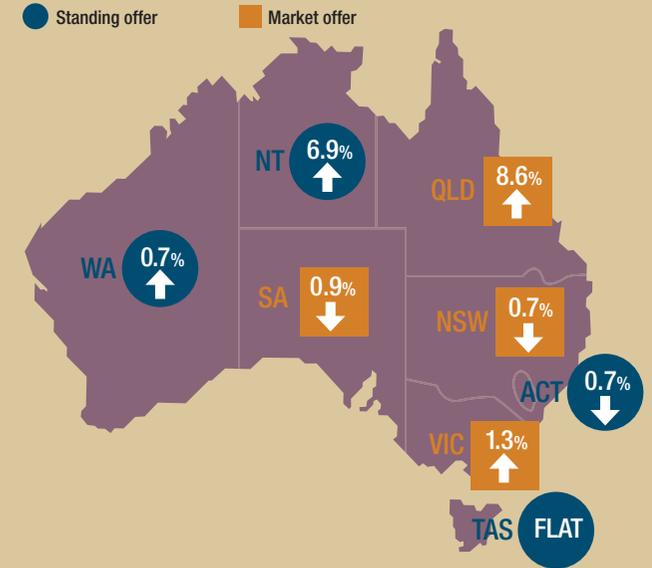


- Underlying factors that drive costs (cost of capital, expected growth in demand and increased reliability standards) are moderating
- Transmission network costs increase, on average, by 4% a year
- Distribution network costs increase, on average, by 5% a year
- The AEMC made new rules in November 2012 to give the regulator more discretion in setting network revenue

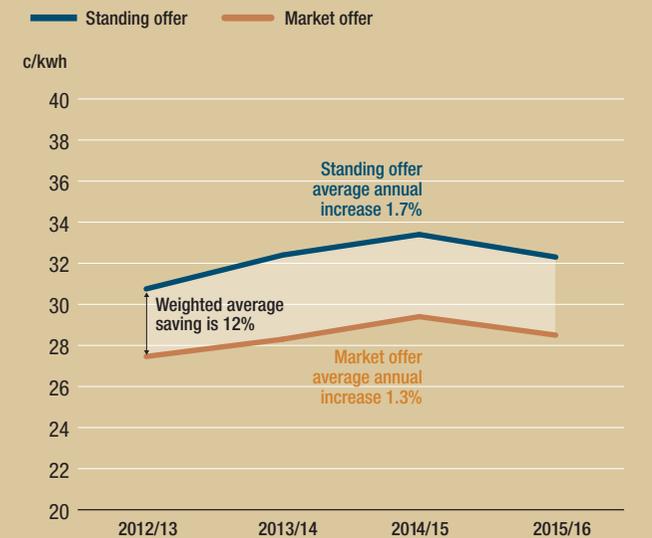


- The fall in prices in 2015/16 reflects the move to a floating carbon price under existing legislation
- The cost of carbon represents 9% of the average national price in 2014/15. Removing the carbon pricing mechanism will reduce prices compared to those in this report in 2014/15 and 2015/16
- But solar schemes are putting upward pressure on prices particularly in some jurisdictions (eg Qld) and this driver is rising by 29% on annual average terms
- Cost of renewable energy target and energy efficiency schemes not expected to change substantially

PRICE MOVEMENTS ANNUAL AVERAGE FY13 – FY16



STANDING AND MARKET OFFER PRICE DIFFERENCES FOR QLD, NSW, VIC, SA



* This fourth annual pricing trends report is based on policies and regulations in each jurisdiction in 2013. It's based on AEMC analysis of power usage by a representative residential consumer in each jurisdiction and consideration of trends across the competitive market sector, the regulated networks sector and government environment policies, drawn from information from governments, regulators, market modelling, retailers, and our own analysis.