

AUSTRALIAN ENERGY MARKET COMMISSION

ELECTRICITY PRICE TRENDS REPORT 18 DEC 2017

This report looks at factors driving residential power prices in the ACT over the next two years July 2018-2020

WHAT'S DRIVING THE ANNUAL BILL FOR A TYPICAL HOUSEHOLD IN THE AUSTRALIAN CAPITAL TERRITORY

\$ Annual electricity bill for a typical residential consumer



Standing offer prices increased by 20.3% this year, and are estimated to increase by an average 1.8% over the next two years, driven mainly by increases in the cost of environmental policies and the delayed impact of lower wholesale prices on the regulated standing offer price.

1.8% ↑

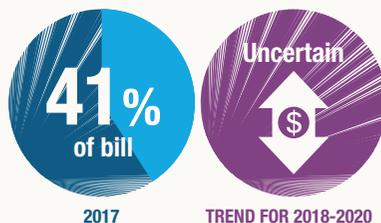


THE COMPONENTS MAKING UP ELECTRICITY BILLS TODAY

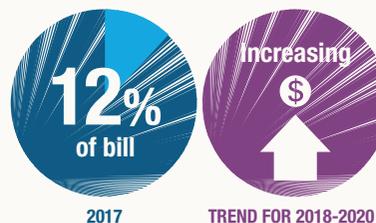
WHOLESALE COSTS



REGULATED NETWORKS COSTS



ENVIRONMENTAL AND SYSTEM SECURITY COSTS



COSTS AT A GLANCE



WHOLESALE

The cost of generating electricity

- Increased by 62% this year due to the exit of Northern and Hazelwood coal generators, and higher gas prices which increase the cost of operating gas-fired power stations.
- Estimated to decrease by an average 8.1% each year over the next two years as new wind and solar generation enters the market and the Swanbank E gas generator in Queensland returns to service.



NETWORKS

Poles and wires costs depend on regulator revenue determinations

Transmission and distribution costs are estimated to increase by an average 4% each year over the next two years.

However this is uncertain due to the Australian Competition Tribunal's decision that the AER remake the 2014-19 determination for the ACT distribution business, ActewAGL.



ENVIRONMENTAL

Direct costs of government schemes like the renewable energy target

Environmental policy costs are estimated to increase by an average 20.5% each year over the next two years.

Costs include RET certificates, auctions for large-scale feed in tariffs for generators and energy efficiency schemes.



RESIDUAL

The residual component reflects costs and risks incurred by retailers, and their profit or loss. It also includes calculation errors in the costs of other supply chain components. It does not represent retail margins.