



Northern Territory residential electricity price trends

2017 Residential electricity price trends report

Average residential electricity prices in the Northern Territory are estimated to increase by 2.5% each year over the next two years from 1 July 2018, but will remain less than the cost of supply.

The AEMC's annual report on price trends provides an overall picture of factors driving electricity prices for households in each state and territory. While the report is not a forecast of prices, it analyses cost trends across the electricity supply chain including generation, the regulated networks sector; and price impacts resulting from government environmental and system security policies.

AEMC Chairman John Pierce said although electricity prices are set by the Northern Territory Government, an analysis of underlying drivers found that a slight increase in wholesale costs is expected.

"Residential electricity prices in the Northern Territory are estimated to rise by 2.5% on average for each of the next two years, based on an assumed rate of inflation," said Mr Pierce.

"This aligns with a similar estimated increase in wholesale costs, which make up over half a typical bill."

Contractual arrangements with Northern Territory generators enable price increases that are broadly in line with inflation.

Environmental policy costs, which make up around 4% of a typical electricity bill, are expected to increase by around 12% each year over the next two years, driven by a rise in the cost of certificates for the large-scale renewable target (RET) scheme.

Network costs, which make up around half the bill, are estimated to remain flat.

Actual prices paid by consumers are set by the Northern Territory Government, which subsidises electricity prices. As a result, residential prices continue to be less than the cost of supply.

The report notes that the Territory government has announced a number of reforms which may affect future retail prices. These include the introduction of a competitive wholesale electricity market and the introduction of limited retail competition. From January 2016 the uniform tariff subsidy for residential and small commercial customers was made contestable and is now available to all licenced retailers.

Background

Price trends identified in the report are not a forecast of actual prices. They are a guide to factors which may drive prices up or down. Actual prices will be influenced by how retailers compete in the market, the outcomes of network regulatory processes, and changes in government legislation.

Actual consumer bills will be affected by all these drivers as well as customers' individual consumption choices, and local factors like the weather and the availability of mains gas.

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Modelling for price trends in the Northern Territory

The report estimates electricity prices for a representative Northern Territory residential consumer. The representative consumer is defined by their electricity consumption characteristics including:

- total annual electricity consumption
- quarterly electricity consumption, to reflect seasonal changes in power use
- use of off-peak tariffs
- gas use
- number of people in the household.

For the Northern Territory, the report uses a figure of 6,613 kWh for annual electricity consumption based on 2016-2017 retailer information provided by the Northern Territory Government.

In the Northern Territory the representative consumer is a two-person household with air conditioning but no pool or mains gas.

To develop representative retail prices, the Northern Territory Government provided information on standing offers from 2016-2017 to 2017-2018.

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