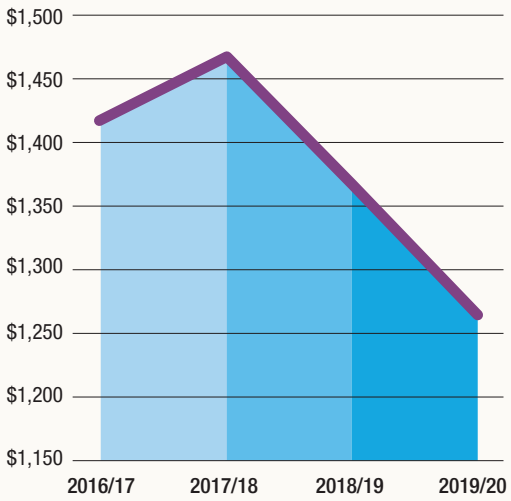
AUSTRALIAN ENERGY MARKET COMMISSION

ELECTRICITY PRICE TRENDS REPORT 18 DEC 2017

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

WHAT'S DRIVING THE ANNUAL BILL FOR A TYPICAL HOUSEHOLD IN SOUTH EAST QUEENSLAND

$ Annual electricity bill for a typical residential consumer

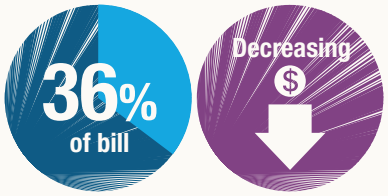


Market offer prices increased by 3.4% this year, and are estimated to decrease by an average 7.1% over the next two years, driven mainly by changes in wholesale electricity costs and a change in funding arrangements for the state's Solar Bonus Scheme.

7.1%

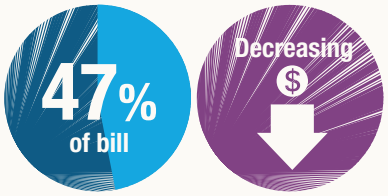
THE COMPONENTS MAKING UP ELECTRICITY BILLS TODAY

WHOLESALE COSTS



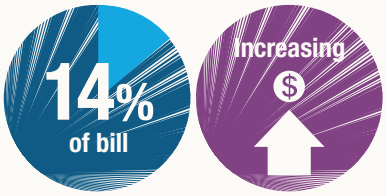
2017 TREND FOR 2018-2020

REGULATED NETWORKS COSTS



2017 TREND FOR 2018-2020

ENVIRONMENTAL COSTS



2017 TREND FOR 2018-2020

COSTS AT A GLANCE

WHOLESALE

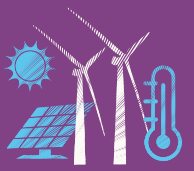
The cost of generating electricity

- Increased by 21.8% 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 17.2% each year 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 expected to decrease by an average 1.9% each year over the next two years.



ENVIRONMENTAL

Direct costs of government schemes like the renewable energy target

Estimated to increase by an annual average of 11.7% over the next two years. Costs include RET certificates. Queensland's Solar Bonus Scheme ends in 2028 and from 2017-2018 consumers will no longer pay for this scheme on their bills.

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.