

AUSTRALIAN ENERGY MARKET COMMISSION

ELECTRICITY PRICE TRENDS REPORT 18 DEC 2017

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

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

\$ Annual electricity bill for a typical residential consumer

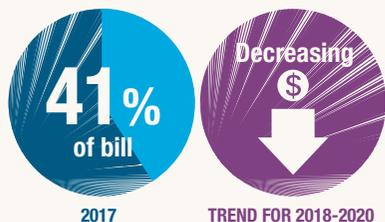


Market offer prices increased by 17% this year, and are estimated to decrease by an average 7.3% over the next two years driven mainly by changes in wholesale electricity costs.

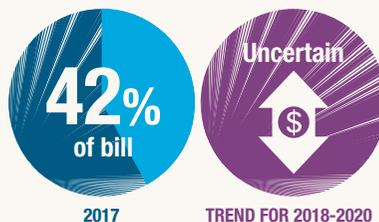
7.3% **SA**

THE COMPONENTS MAKING UP ELECTRICITY BILLS TODAY

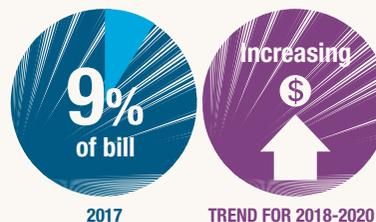
WHOLESALE COSTS



REGULATED NETWORKS COSTS



ENVIRONMENTAL & SYSTEM SECURITY COSTS



COSTS AT A GLANCE



WHOLESALE

The cost of generating electricity

- Increased by 35.9% 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 22.9% each year as new wind and solar generation enters the market and the Swanbank E gas generator in Queensland returns to service.

Wholesale costs are higher in South Australia in part due to its greater reliance on gas-fired generators.



NETWORKS

Poles and wires costs depend on regulator revenue determinations

Transmission and distribution costs are expected to increase by an average 2% each year. But this is uncertain due to ongoing judicial review of the SA distribution revenue determination.



ENVIRONMENTAL & SECURITY COSTS

Direct costs of government schemes like the renewable energy target

Estimated to increase by an average 21.8% a year. Costs include RET certificates, the state's solar feed in scheme, and the energy security target.



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.