



## Power prices to rise slightly in the Australian Capital Territory

Australian Energy Market Commission 2018 residential electricity price trends report

**Power prices are estimated to rise slightly over the next two years in the ACT because of rising environmental scheme costs and network costs. This year consumers who are still on standing offers could save \$286 by switching to the lowest competitive market offer.**

Power prices are estimated to rise slightly over the next two years in the ACT according to the Australian Energy Market Commission's annual report on price trends released today.

Over the next two years the price paid for electricity by territory households is estimated to increase by a total of \$87 (5%) from FY19 to FY21, because of rising environmental costs and regulated network costs.

After a relatively small rise of 1.4% from FY18, standing offer prices are estimated to increase by an average 2.5% annually over the next two years from FY19 to FY21.

Wholesale costs are likely to fall by around \$88 by FY21 for the typical consumer as more supply comes into the market and demand stays flat. But these falls will be counter-balanced by increases in both regulated network costs (up on average \$58) and environmental costs (up by an estimated \$112).

The ACT representative consumer (the most common type of household based on electricity consumption) will be paying around \$87 more than today by July 2020.

In the ACT 68% of residential electricity customers are still on standing offers. Those who have not yet shopped around are missing out on current savings of \$286 between the lowest competitive market offer and lowest standing offer.

The most common electricity customer is a two-person household, consuming 7,151 kWh of electricity each year in addition to having a gas mains connection. Of course actual electricity bills depend on how and when electricity is used in each home.

AEMC Chief Executive, Mrs Anne Pearson, said the energy sector's challenge in years ahead will be to continue balancing electricity supply and demand as the energy market restructures.

"Cost control helps contain prices," she said.

"The changing generation mix is affecting supply and demand at the wholesale end of the supply chain.

"Our report also shows networks account for around half of consumer bills. Managing the costs of connecting new generation will be a major challenge. We must avoid over-engineered solutions to stop gold plating and price spikes," she said.

Mrs Pearson said it was in the strong interest of consumers that government and regulatory policy focused on long-term planning, focusing on low cost solutions to the issue of energy transition.

She said there was a need to:

- establish more certainty in wholesale markets through more effective management of environmental and security costs
- facilitate greater price competition in the retail market through open and transparent price setting that consumers can trust; and
- develop an integrated, modernised power grid that reduces costs to consumers.

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Mrs Pearson said the report recognised there were a range of issues unique to each jurisdiction that were also influencing price outcomes.

“Understanding what’s driving prices can help give state and territory governments the information they need to help determine if price changes announced each year by retailers are consistent with changes in the power system’s underlying costs,” she said.

Price trends will affect individual households differently depending on how much each consumer uses electricity, and how willing they are to switch to a better energy deal where market offers are available. No two households use energy in the same way. Knowing how much power you use and when is important in controlling electricity bills in the future as new technologies become more affordable and energy entrepreneurs expand demand response options for consumers.

## ABOUT THIS REPORT

*The price trends report is a core document used to inform a range of stakeholders including the Australian Energy Market Operator the International Energy Agency and the Reserve Bank of Australia. It helps consumers understand costs included in their electricity bill. It also provides governments with information they need to understand changes in electricity prices and provides context for long-term decision making on energy policy. Price trends identified in this report are not a forecast of actual prices, but rather are a guide to pricing and bill directions based on current expectations, policy and legislation. Actual price movements will be influenced by how retailers compete, the dynamics of wholesale spot and contract markets, the outcomes of network regulatory decisions, and changes in policy and regulation.*

*The AEMC residential price trends focuses on the drivers of household bills across the three key parts of the electricity supply chain – wholesale (generation); regulated networks (transmission and distribution); and environmental (government policy schemes). A residual applies in most jurisdictions. It is the difference between bill outcomes and these three key cost components.*

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