

NEWS

Tasmanians looking ahead to lower energy bills

Australian Energy Market Commission
Residential electricity price trends report 2020

Tasmanian energy customers look set to see a 4% drop in their electricity bills over the next three years, paying \$70 less in 2023 than today.

The AEMC's 2020 Residential electricity price trends report, released today, shows that lower wholesale and environmental costs are behind the shift.

Most Tasmanians (98%) are on regulated standing offers set each year by the Office of the Tasmanian Economic Regulator, with a cap set by the State Government reflecting the Hobart consumer price index.

AEMC Chief Executive Benn Barr said today's report showed that costs were falling across two of the three drivers of Tasmanian consumers' bills over the period FY 2019/20 to FY 2022/23.

- **Wholesale costs** are expected to go down by nearly 19% or about \$140 over the reporting period. This is an annual average drop of 6.6% and is driven by new generation supply entering the national electricity market and lower gas prices.
- **Environmental costs** are also expected to fall by 11% or nearly \$20 (an annual average drop of 3.8%). This result is due to a decrease in Large-Scale Renewable Energy Target costs as more renewable generation comes online.
- **Network costs** are expected to rise by 3% or about \$25 (an annual average increase of 1.1%).

"It's great to see prices falling because at the AEMC what drives us is how to keep the lights on and costs down in a decarbonising power system," AEMC Chief Executive Benn Barr said. "We are working with our colleagues on the Energy Security Board to best manage the major transformational change that is taking place in the national electricity market."

"This report has been giving governments forward looking, policy relevant information on energy prices for more than a decade – but it is important to stress these are projections not predictions. Trends can change sharply in response to new policies and sudden market changes."

Prices in this report are based on a 'most common Tasmanian consumer' – a two-person household with no pool or gas connection consuming 7908kWh of electricity a year, of which 4349kWh is attributed to heating and hot water.

Actual prices will depend on how and when electricity is used in each home and which type of energy offer they are on.

Knowing how much power you use and when you use it is becoming more important as new technologies and information platforms become more accessible.

Integrating new technologies into the power system and expanding consumers' ability to participate in the energy market and control their energy consumption is a key focus for the AEMC.

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**The most common
Tasmanian energy
consumer is a
2-person household
consuming 7908kWh
of electricity a year.**

Continued

About this report

This price trends report informs a range of stakeholders including the International Energy Agency, Reserve Bank of Australia and the Australian Energy Market Operator.

It provides governments with information about which parts of the sector are driving electricity prices and provides context for long-term decision making on energy policy.

It also helps customers understand the costs included in their electricity bill.

Price trends identified in this report are not a forecast of actual prices, but rather 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.

Prices modelled are an average of the lowest market offer of each retailer weighted by market share.

Prices relate to a 'typical customer', which refers to the most common type of household based on electricity consumption.

About the AEMC

The Australian Energy Market Commission makes the rules for the National Electricity Market, elements of the natural gas market and related retail markets. We provide strategic and operational advice to governments on energy and protect consumers with the right trade-off between cost, reliability and security

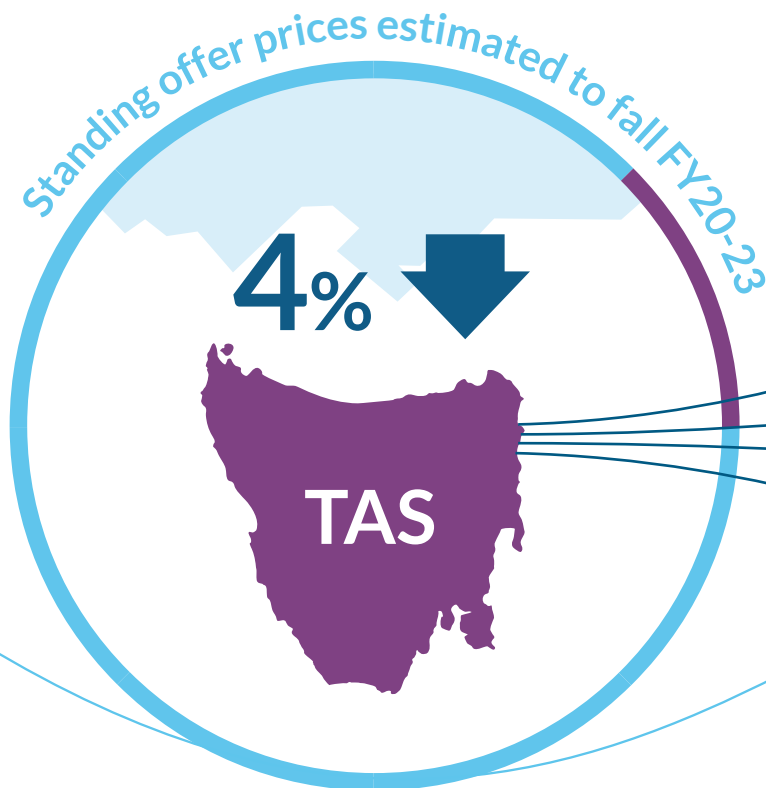
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AUSTRALIAN ENERGY MARKET COMMISSION

ELECTRICITY PRICE TRENDS REPORT 21 DECEMBER 2020

TASMANIA ELECTRICITY MARKET PRICES ARE DECREASING

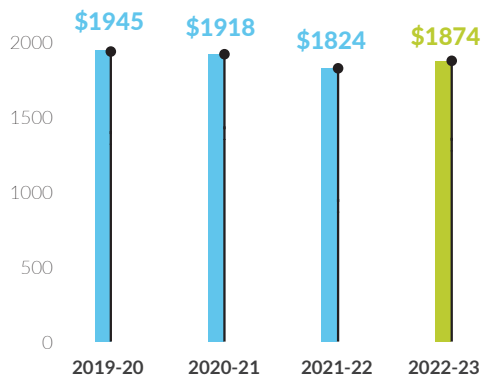
In Tasmania, household electricity bills are likely to be \$70 cheaper by 2023. This is because wholesale and environmental costs are both dropping, though network costs are expected to increase. Most Tasmanians are on regulated standing offers set each year by the Office of the Tasmanian Economic Regulator.



CONSUMER

The representative consumer in Tasmania is a two-person household on a regulated standing offer bill with electric water heating and without mains gas (with total annual consumption level of 7,908kWh).

Annual electricity bill for a typical residential customer



AT A GLANCE



WHOLESALE

The cost of generating electricity

Wholesale costs are expected to go down by nearly 19% or \$138 over the reporting period. This is an annual average drop of 6.6% and is driven by new generation supply entering the national electricity market and lower gas prices.



NETWORKS

Poles and wires costs depend on regulator revenue determinations

Network costs are expected to rise by 3% or \$26 (an annual average increase of 1.1%) over the reporting period.



ENVIRONMENTAL

Direct costs of government schemes like the renewable energy target

Environmental costs are expected to fall by 11% or \$18 over the reporting period – an annual average drop of 3.8%. This result is due to a decrease in Large-Scale Renewable Energy Target costs as more renewable generation comes online.

ABOUT THIS REPORT

The AEMC price trends report informs a range of stakeholders including the International Energy Agency, Reserve Bank of Australia and the Australian Energy Market Operator. It provides governments with information on how costs in different parts of the electricity sector are driving future prices and provides context for long-term decision making on energy policy.

The representative consumer is different for each jurisdiction depending on demographic profiles and is defined by using a representative energy consumption level.