

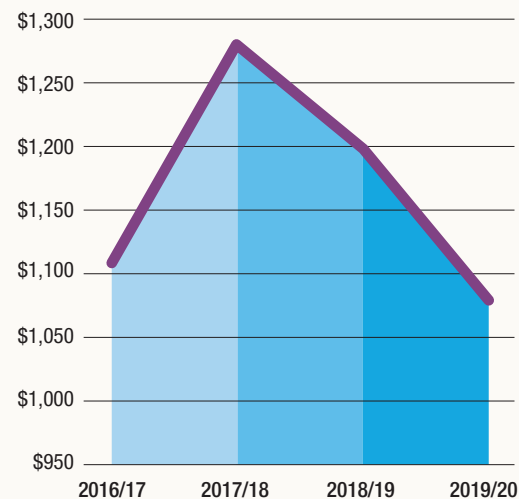
AUSTRALIAN ENERGY MARKET COMMISSION

ELECTRICITY PRICE TRENDS REPORT 18 DEC 2017

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

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

\$ Annual electricity bill for a typical residential consumer

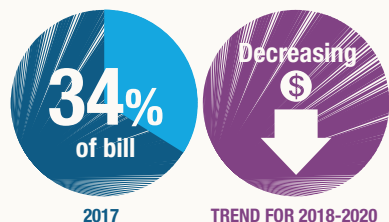


Market offer prices are estimated to increase by 15.9% this year, and are estimated to decrease by an average 8.2% over the next two years, driven mainly by changes in wholesale electricity costs. Prices in Victoria are reset 1 January every year.

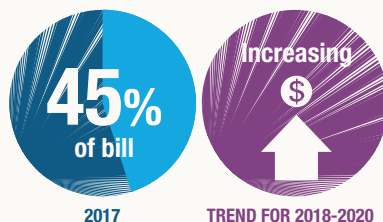
8.2%  **VIC**

THE COMPONENTS MAKING UP ELECTRICITY BILLS TODAY

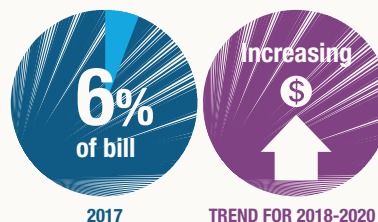
WHOLESALE COSTS



REGULATED NETWORKS COSTS



ENVIRONMENTAL COSTS



COSTS AT A GLANCE



WHOLESALE

The cost of generating electricity

- Estimated to increase by 48.2% this year due to the exit of Northern and Hazelwood coal generators, and higher gas prices which increase the cost of operating gas-fired generators.
- Estimated to decrease by an average 24.2% 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 estimated to increase by an average 1.6% each year.



ENVIRONMENTAL

Direct costs of government schemes like the renewable energy target

Estimated to increase by an average 9.9% each year. Rising costs include RET certificates and emissions reduction schemes.

The Victorian Renewable Energy Target (VRET) has a goal to generate 25% of electricity from renewable sources in 2020 and 40% in 2025. Activities start in 2020 and do not affect price estimates in this report.



RESIDUAL

The residual component reflects costs and risks incurred by retailers, and their profit or loss. It includes calculation errors in the costs of other supply chain components. It does not represent retail margins.