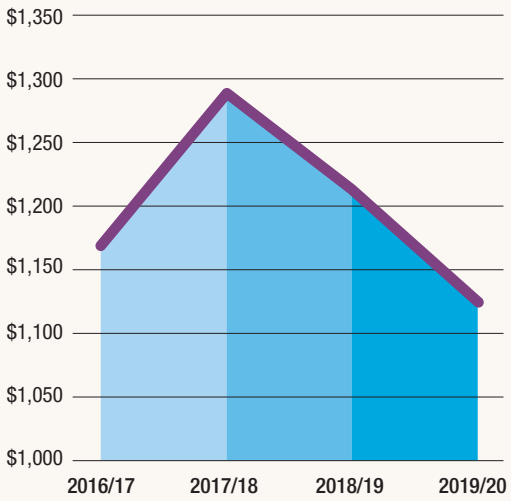
AUSTRALIAN ENERGY MARKET COMMISSION

ELECTRICITY PRICE TRENDS REPORT 18 DEC 2017

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

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

$ Annual electricity bill for a typical residential consumer

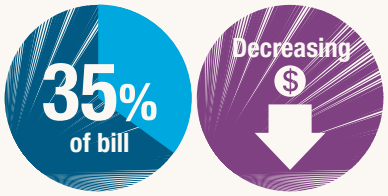


Market offer prices increased by 10.2% this year, and are estimated to decrease by an average 6.6% over the next two years, driven mainly by changes in wholesale electricity costs

6.6%▼ NSW

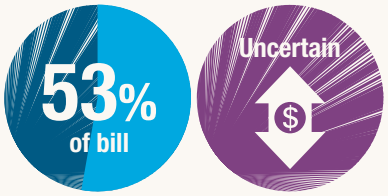
THE COMPONENTS MAKING UP ELECTRICITY BILLS TODAY

WHOLESALE COSTS



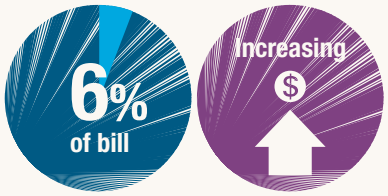
2017 TREND FOR 2018-2020

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

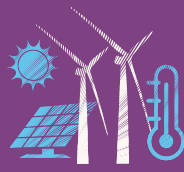
- Wholesale costs increased by 30% this year due to the recent retirements of Northern and Hazelwood coal generators, and higher gas prices which increase the cost of operating gas-fired generators.
- Estimated to decrease by an average 20.5% each year over the next two years as new wind and solar generation 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 estimated to increase by an average 1% each year over the next two years.

However, this is uncertain due to the Australian Competition Tribunal's decision that the AER remake the 2014-19 revenue determinations for the NSW distribution businesses.



ENVIRONMENTAL

Direct costs of government schemes like the renewable energy target

Environment policy costs are estimated to increase by an average 7.6% each year. These rising costs include RET certificates and energy saving schemes.

The NSW Climate Change Fund's costs are expected to decrease.

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.