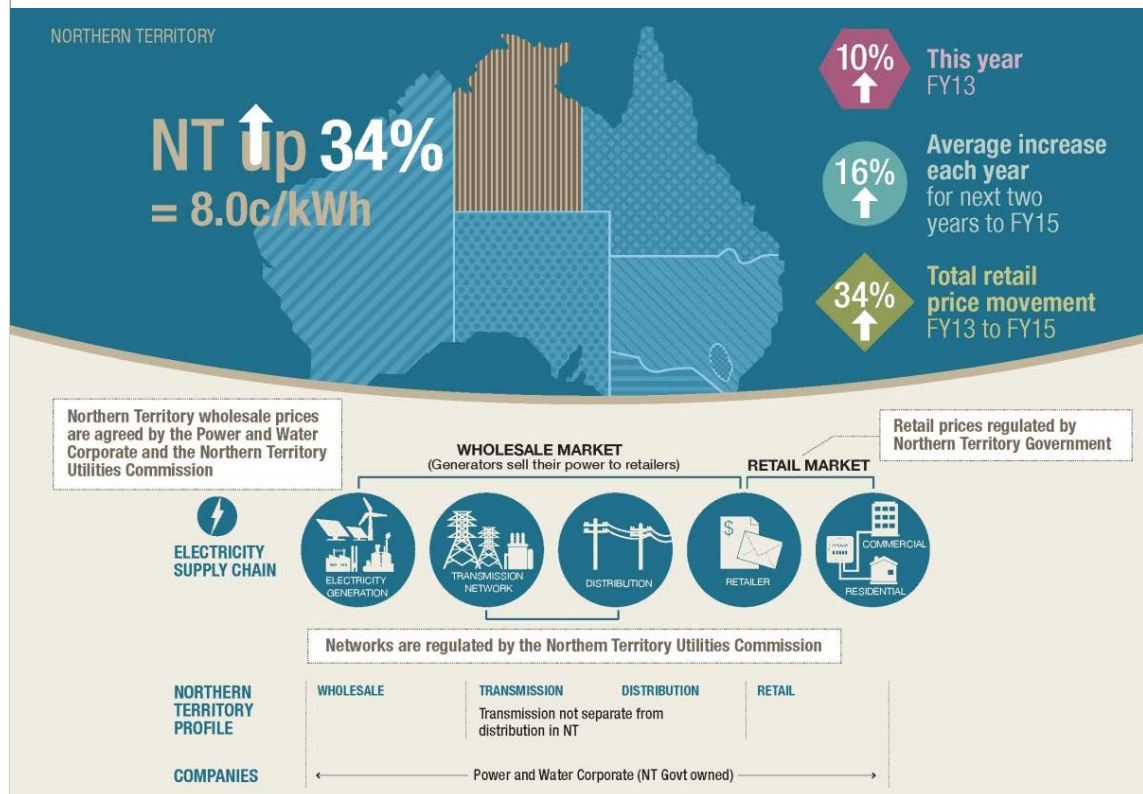


Northern Territory: Electricity price trends to FY15

The AEMC Electricity Price Trends Report: 1 July 2012 – 30 June 2015 was published on 22 March 2013. The Northern Territory Government has adopted a policy to move to more cost-reflective electricity prices.



Recent Northern Territory market developments

In November 2012 the Northern Territory Government announced a 30% increase in the regulated residential price effective from 1 January 2013. On 14 March 2013 this increase was amended to 20% from 1 January 2013, with over-payments to be credited back to customers. The remaining 10% increase will be phased in, with a 5% increase coming into effect on 1 January 2014 and a further 5% to be applied on 1 January 2015. This report reflects the November 2012 announcement.

What this market looks like

Regulation

The government-owned Power and Water Corporation (PWC) is the leading provider of generation, network and retail services in the Northern Territory. The Northern Territory Utilities Commission (NTUC) is responsible for network price regulation and also has oversight of the wholesale electricity prices to ensure that offers are cost reflective. Regulated retail electricity prices are set by the Northern Territory Government. PWC's generation and network businesses are also required to provide services to all retailers. Retail licences were granted to two new entrants in 2012.

Customer consumption

The representative residential customer in the Northern Territory uses 8,904 kWh of electricity annually.

This report is not a forecast of actual prices. It is a guide to pricing trends and identifies the components that are driving those trends.

Northern Territory analysis

Wholesale component

In the AEMC's modelling, wholesale prices increased 13% from financial year (FY) 2012 to FY13. The estimated increase in this component is estimated to average 21% per year from FY13 to FY15. This outcome is consistent with a total price increase of 30%, as originally announced, restricting the network component to inflation plus an allowed average price increase. The carbon price added around 1.3 c/kWh in FY13, increasing to 1.9 c/kWh in the following two years.

Network component

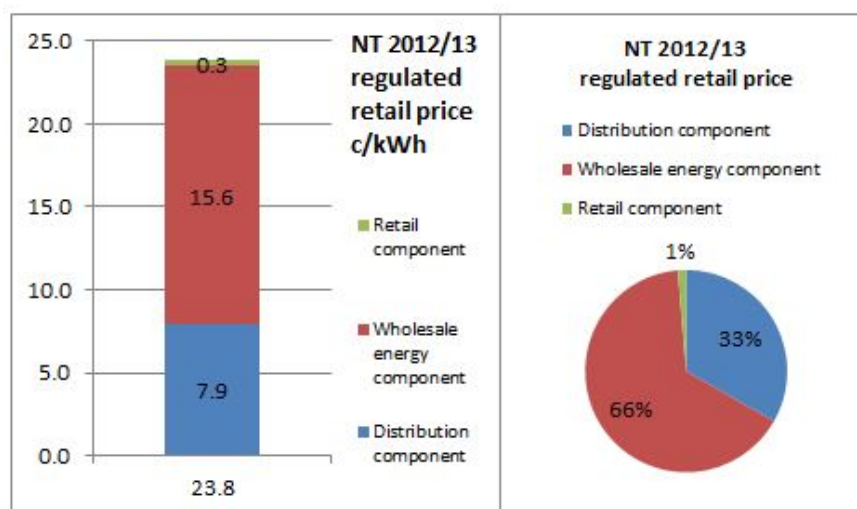
There is no distinction made between transmission and distribution networks in the Northern Territory. From FY12 to FY13 network prices increased by 5% reflecting the allowance under the current regulatory control period of 3.4% plus inflation. This allowance funds capital expenditure, maintenance and repairs to boost security of supply; and meets increasing consumer demand.

The network component's estimated annual average increase for each of the two years from FY13 to FY15 is 4%. The network component makes up around 33% of the total regulated residential retail price for the Northern Territory in FY13. The NTUC has begun reassessing revenue requirements for the next network regulatory period which starts on 1 July 2014. Network price trends may change as a result.

Retail component

The retail price component increased by 10% from FY12 to FY13. The estimated increase in the retail component is an average 21% per year from FY13 to FY15. This outcome results from the AEMC's modelling of a total price increase of 30%, as announced.

Breakdown of Northern Territory's representative household price for FY13



About the AEMC Electricity Price Trends Report

The AEMC Electricity Price Trends Report identifies the factors driving residential electricity prices, and outlines reasons why they may rise or fall over three years to FY15. It is not a forecast of actual prices, but a guide to pricing trends based on current knowledge and assumptions. The report is prepared annually at the request of the Standing Council on Energy and Resources (SCER).

Price comparisons across jurisdictions

It is not possible to directly compare electricity prices across jurisdictions. The costs vary due to population spread and density, weather, technology, economic strengths and customer choices. The regulator in each state and territory applies different policies in setting regulated prices.

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