

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Treasury Portfolio
 Budget Estimates
 2017 - 2018

Division/Agency: Australian Competition and Consumer Commission
Question No: 45
Topic: Energy Pricing
Reference: Written
Senator: Roberts, Malcolm

Question:

What proportion of high & rising energy prices are due to:

- a) RET & other climate policies;
- b) poor price regulation;
- c) market protection policies?

Answer:

Figure 4.2 from the AER's State of the Energy Market report 2017 sets out the proportion of an average residential electricity bill that is due to green schemes (RET and other climate policies). It also shows the proportion due to transmission and distribution costs (regulated network charges) and wholesale and retail prices. This figure is reproduced below as Figure 1.

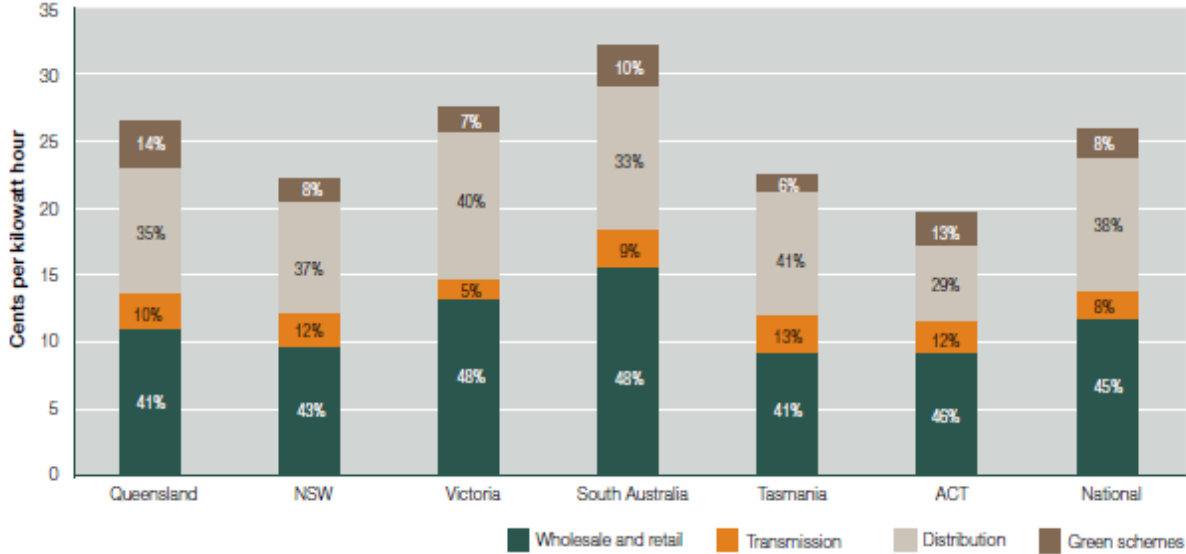
In summary, for the following States and Territories, green schemes and regulated network costs make up the following proportion of the bill for a typical residential customer in 2016 (the data is based on the AEMC's 2016 residential electricity price trends, final report):

Table 1: Proportion of green schemes and network costs of the retail bill for a typical residential customer in 2016

	Green schemes	Network costs
Queensland	14%	45%
NSW	8%	49%
Victoria	7%	45%
South Australia	10%	42%
Tasmania	6%	54%
ACT	13%	41%
Nationally	8%	46%

See figure 1 below (from Figure 4.2 of the AER's State of the Energy Market report 2017), which shows the proportion of costs in graphical form. The figure shows the breakdown of network costs into transmission and distribution costs. It also shows wholesale and retail costs.

Figure 1 – Composition of a residential electricity bill 2016-17

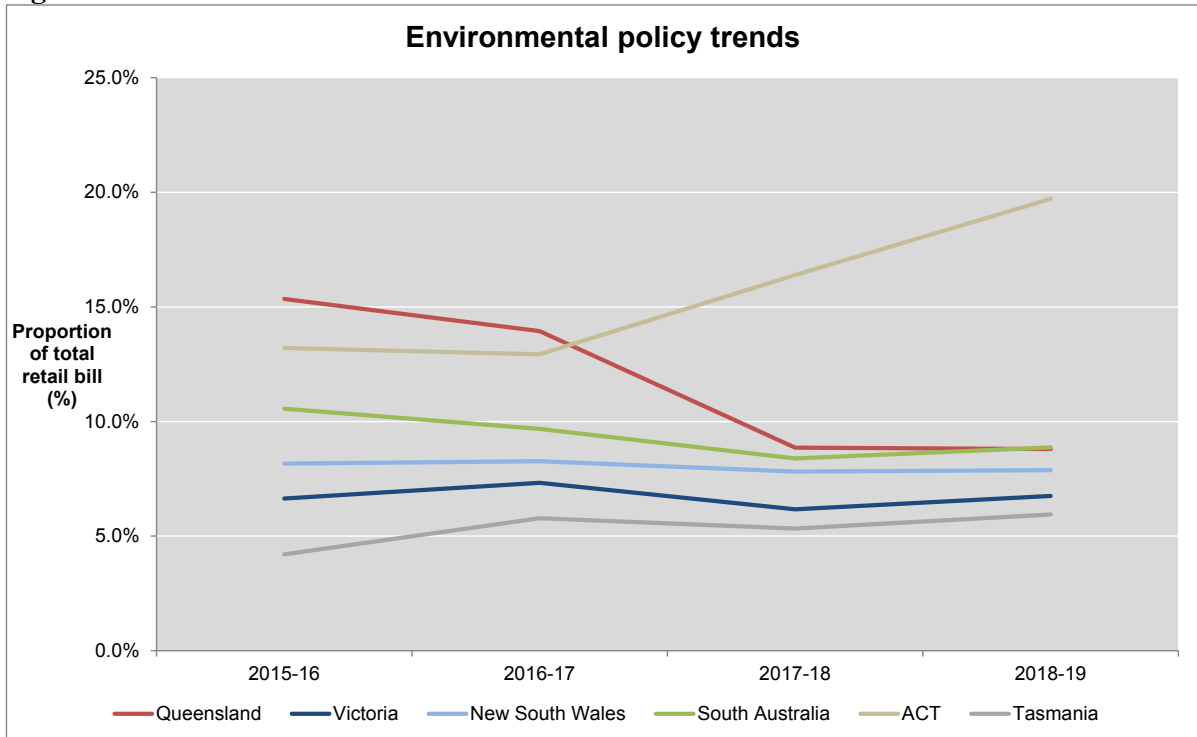


Source: AER State of the Energy Market 2017, p.129

Figure 2 below, outlines expected environmental policy costs as a proportion of total retail bills between 2015-16 and 2018-19, based on forecasts by the AEMC in its Electricity Price Trends Report 2016.

Overall, environmental policy costs are expected to decline or remain stable as a proportion of total retail bills over the four-year period in each state and territory except Tasmania and the ACT. The proportion in the ACT is expected to rise sharply in 2017-18 and 2018-19 due to a significant increase in large-scale feed-in-tariff jurisdictional scheme costs. Tasmania’s environmental policy costs are expected to increase as a proportion of total retail bills, but overall will remain a small component of total bills at just over 5%.

Figure 2



Source: AEMC – 2016 Residential Electricity Price Trends – December 2016